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On a ClearPlay, You Can See Whatever: Copyright and Trademark Issues Arising from Unauthorized Film Editing

Gail H. Cline

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On a ClearPlay, You Can See Whatever: Copyright and Trademark Issues Arising From Unauthorized Film Editing

GAIL H. CLINE*

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Introduction

In recent years, a small but steadily growing third-party movie editing service industry has taken root and grown in response to distinct viewer demand for so-called “E-Rated”¹—edited for content—versions of motion pictures on DVD and videotape.² However, the third-party editing companies comprising this small industry do not own the copyrights for any of the films that they (directly or indirectly) copy, alter, and distribute, nor have they been authorized by the copyright holders to engage in these activities.³ As such, their conduct raises copyright issues under the Copyright Act of 1976,⁴ and trademark issues under the Lanham Act.⁵ The copyright and trademark issues are particularly interesting, because many of these third-party companies have created new editing or filtering technologies that enable home viewers to create edited versions of major Hollywood motion pictures.⁶ In one of the most recent developments, RCA now offers a ClearPlay DVD player that comes equipped with 100 pre-installed filters.⁷

Courts will soon be called upon to resolve the copyright and trademark issues raised by the creation of “E-Rated” movie versions of original Hollywood films by, or with the assistance of, third-party editing companies, as they address claims of copyright infringement arising from unauthorized preparation of derivative works, and trademark infringement arising from false designation of origin. Part I of this article describes the factual background underlying the current controversy. Next, Part II explains the copyright law background, and Part III explains the trademark law background. Part IV examines the third-party editing technologies that are currently in use, in light of current copyright and trademark law. Then, Part V applies the

1. Edited for content to remove nudity and sexual situations, offensive language, and graphic violence.

2. Steven Kent, *Movie Moralists Take High-Tech Road*, MSNBC NEWS, (Oct. 18, 2002), at <http://www.msnbc.com/news/822999.asp> (on file with author).

3. See [Plaintiffs'] Second Amended Complaint and Jury Demand, *Huntsman v. Soderbergh*, No. 02-M-1662 (D. Colo. 2002) [hereinafter *Complaint*], available at www.law.upenn.edu/polk/ideas/dec3/coates_packet.pdf.

4. 17 U.S.C. § 101 et seq. (2002).

5. 15 U.S.C. §§ 1125 & 1127 (2002).

6. See *infra* Parts IV. A. & B.

7. The Rugged Elegance Inspiration Network, News and Events, ClearPlay DVD Player Now Available Exclusively at WalMart.com, at <http://www.ruggedelegantliving.com/a/002634.html> (last visited Aug. 22, 2004) (on file with author).

principles of copyright and trademark law to these digital editing and digital filtering technologies. As this analysis will show, the third-party editing and filtering technologies infringe the exclusive rights of the copyright owners, and the conduct of the third-party editing companies should give rise to liability for false designation of origin.

Now looming on the horizon is the prospect of legislation that will change existing law and legalize the activities of the third-party editing companies. In 2004, the House passed the Family Movie Act of 2004, H.R. 4586, in order to allow the movie filtering technology companies to remove “offensive” content from motion pictures.⁸ Although the House bill did not pass the Senate before the close of the 108th Congress, the legislation was revived in the 109th Congress, and passed the Senate as the Family Movie Act of 2005 (FMA), S. 167.

The purpose of the legislation is to permit the makers of filtering software and components to manufacture and distribute their technologies without incurring liability,⁹ by clarifying “that the skipping of audio or video content is not a violation of existing copyright or trademark law.”¹⁰

This change in the law would significantly decrease the rights of copyright owners and authors. As the conclusion of this article will demonstrate, the FMA represents poor public policy, and it may violate the United States’ obligations under international law.

I. Background

The 1997 movie *Titanic* was a smash hit, earning millions at the box office, praise from the critics, and eleven Oscars.¹¹ The phenomenal success of the film created a huge home-viewer demand for VHS and DVD copies of the motion picture.¹² However, for a small but distinct viewing audience there was one problem with what

8. Committee Approves Movie Filtering Technology Legislation, U.S. House of Representatives Committee on the Judiciary, F. James Sensenbrenner, Jr., Chairman, News Advisory, available at <http://www.house.gov/judiciary/news072104.htm> (last visited Aug. 22, 2004) (on file with author).

9. News on . . . Rednova, Device Lets Parents Edit DVDS for Kids, Ted Bridis, at <http://www.rednova.com/news/stories/2/2004/07/21/story006.html> (last visited Aug. 22, 2004) (on file with author).

10. *Directors Guild Opposes Movie Filtering*, DigitalMediaMagazine.net, at <http://www.streamingmag.com/listingsEntry.asp?ID=250280> (last visited Mar. 12, 2005) (on file with author).

11. WorldwideBoxOffice, at <http://www.worldwideboxoffice.com> (last visited Feb. 12, 2003) (on file with author).

12. *Id.*

would otherwise be a “family friendly” viewing experience—the film’s now famous nude scene.¹³ Home-viewer demand for versions of *Titanic* sans nude scene is credited with the creation of an entirely new third-party editing industry.¹⁴ Viewers who strongly objected to the nude scene in *Titanic*, yet wanted to rent or own copies of the videotape or DVD, created a budding market for “E-Rated” versions of *Titanic* and other popular Hollywood movies.¹⁵

The birth of the third-party editing cottage industry is attributed to Sunset Video of American Fork, Utah in 1998. Responding to customers’ requests for “sanitized” copies of *Titanic*, the videotape sale and rental store began offering to delete the nude scene from customer-owned videotapes of the film, and then began selling videotape copies with the nude scene already deleted.¹⁶ Ray Lines began editing copies of *Titanic* for friends and later began helping Sunrise Video to alter *Titanic* digitally rather than splicing the videotape.¹⁷ Lines realized there was a demand for edited versions of other popular Hollywood movies and started his own editing service, CleanFlicks, in 1999.¹⁸ CleanFlicks¹⁹ now offers edited versions of more than 500 Hollywood movies in both video and DVD formats, for sale and rental, at its website and 65 locations in 18 states.²⁰

Since 1999, a number of other third-party editing companies have sprung up in response to the gradual but steady demand for “E-Rated” versions of Hollywood hit movies.²¹ As the number of such companies has grown, so too has the dissatisfaction of Hollywood’s movie directors with the increasing alterations of their creative

13. Jack (Leonardo DiCaprio) sketching a semi-nude Rose (Kate Winslet).

14. Glen Warchol, *Filmmakers Challenge Utah’s Growing Industry of Video and DVD Censors*, SALT LAKE TRIB., Aug. 7, 2002, available at 2002 WL 25436908.

15. *Id.*

16. Scott Farwell, *Utah-Based Video Chain’s Nudity, Violence Edits Rile Hollywood*, DALLAS MORNING NEWS, Dec. 12, 2002, available at 2002 WL 103870264.

17. Kent, *supra* note 2.

18. Farwell, *supra* note 16.

19. CleanFlicks is currently one of the counterdefendants in the *Huntsman v. Soderbergh* controversy. See *infra* note 25 and accompanying text.

20. CleanFlicks Store Locations, at <http://www.cleanflicks.com/index.php> (last visited Mar. 4, 2003) (on file with author). Thirty-four of these locations are in Utah.

21. Kent, *supra* note 2. But cf. James Mann, *Cleaning the World, One Lie at a Time*, INK19, (Sept. 2002), at <http://www.ink19.com/issues/september2002/streaks/cleaningWorldOneLie.html> (describing nonexistent site, www.nogodvideos.com, containing *Veggie Tales* videos edited for content to remove all references to “God, doing good, or the Bible.”) (last visited Mar. 14 2004) (on file with author).

works.²² In March of 2002, Trilogy Studios, hoping to gain support for its proprietary software editing technology, MovieMask, planned a demonstration for Hollywood movie directors—but the plan backfired.²³ The directors attending were not pleased to see that a sword fight from *The Princess Bride* (1987) had been altered to look like the characters were using *Star Wars* light sabers, or that the nude scene from *Titanic* (1997) had been altered to cover Kate Winslet with a digital corset.²⁴

In an attempt to preempt a likely suit by the Directors Guild of America (DGA) on behalf of its member directors, Robert Huntsman²⁵ and CleanFlicks of Colorado²⁶ filed suit in U.S. District Court²⁷ against sixteen Hollywood movie directors.²⁸ Huntsman and CleanFlicks of Colorado sought a declaratory judgment that none of the methodologies they use to provide edited versions of original motion pictures to the public for private home viewing violate the Copyright Act or the Lanham Act.²⁹ The Directors Guild of America (DGA) intervened on behalf of the sixteen motion picture directors (“Directors”),³⁰ joined eight³¹ major Hollywood motion picture

22. Rebecca Buckman, *Mormons Shout ‘Action’ In Effort to Sugarcoat Hollywood-Made Movies—Angry Directors Seek to Protect Their Work From Utah’s Final Cut*, ASIAN WALL ST. J., Sept. 20, 2002, at A1, available at 2002 WL-WSJA 23017734.

23. *Id.*

24. *Id.*; Roy Santos, *First Look: Trilogy Studios MovieMask, DVD filtering software lets you remove “objectionable material” from movies*, TechTV Products & Reviews, Software (Feb. 8, 2002), at <http://www.techtv.com/products/software/story/0,23008,3371490,00.html> (story includes graphics displaying sample results of MovieMask software masking of *Titanic* scenes) (on file with author).

25. Robert Huntsman is a patent and copyright attorney. See <http://www.bobhuntsman.com/current.htm> (on file with author). Huntsman has applied for a patent on digital filtering technology. Vince Horiuchi, *Firm Sues, Seeks Ruling on Right to Sanitize Films*, SALT LAKE TRIB., Aug. 30, 2002, at <http://www.sltrib.com/2002/aug/08302002/utah/cleanflix.htm> (last visited Dec. 30, 2002) (on file with author).

26. CleanFlicks of Colorado is a franchisee of CleanFlicks of Pleasant Grove, Utah.

27. *Complaint*, *supra* note 3, at 3-4. The suit was filed in Denver, Colorado on August 29, 2002.

28. Steven Soderbergh, Robert Altman, Michael Apted, Taylor Hackford, Curtis Hanson, Norman Jewison, John Landis, Michael Mann, Phillip Noyce, Brad Silberling, Betty Thomas, Irwin Winkler, Martin Scorsese, Steven Spielberg, Robert Redford and Sydney Pollack.

29. *Complaint*, *supra* note 3, at 6.

30. Orders on Motions at 1, *Huntsman v. Soderbergh*, No. 02-M-1662 (D. Colo. 2002); Directors Guild of America’s Motion for Leave to Intervene at 1, *Huntsman v. Soderbergh*, No. 02-M-1662 (D. Colo. 2002).

31. The eight studios joined in the suit are: Metro-Goldwyn-Mayer Inc; Time Warner Entertainment, a unit of AOL Time Warner Inc.; Sony Pictures Entertainment, a unit of Sony Corp.; DreamWorks SKG LLC; Vivendi Universal SA’s Universal City Studios;

studios³² and eight³³ additional third-party editing companies as necessary parties.³⁴ The intervening parties raised claims of trademark infringement and dilution in violation of the Lanham Act, due to the unauthorized removal of original motion picture content.³⁵

In addition, the joined Studios raised claims of copyright and trademark law violations as a result of the preparation, distribution, and sale of unauthorized altered versions of their original motion pictures.³⁶

Neither Huntsman nor CleanFlicks of Colorado claim ownership of the motion picture copyrights for which they have provided edited versions, or authorization to exercise any of the exclusive rights of the copyright owners (the major Hollywood movie studios)—the reproduction of the works in copies, the preparation of derivative works, or the distribution of copies.³⁷ Nor do they claim trademark ownership or authorization with respect to the edited versions of the motion pictures that they create, market, and sell.³⁸

As the owners of the motion picture works at issue, the Motion Picture Studio Defendants (“Studios”) sought declaratory and injunctive relief (1) for infringement of their motion picture copyrights under the Copyright Act,³⁹ (2) for unfair competition, false designation of origin, and false descriptions and representations in commerce in violation of § 43 (a) of the Lanham Act,⁴⁰ and (3) for

News Corp.’s Twentieth Century Fox; Paramount Pictures, a unit of Viacom Inc.; and Walt Disney Co.

32. Orders on Motions at 1, *Huntsman v. Soderbergh*, No. 02-M-1662 (D. Colo. 2002); [DGA’s] Motion to Compel Joinder of Third-Party Copyright Holders as Necessary Parties Pursuant to Federal Rule of Civil Procedure 19 and 17 U.S.C. § 501(b), *Huntsman v. Soderbergh*, No. 02-M-1662 (D. Colo. 2002).

33. DGA moved to join Video II, Glen Dickman, and J.W.D. Management Corporation; Trilogy Studios Inc.; CleanFlicks, CleanFilms (formerly MyCleanFlicks); Family Shield Technologies, LLC; ClearPlay, Inc.; Clean Cut Cinemas; Family Safe Media, EditMyMovies; and Family Flix, U.S.A L.L.C., Play It Clean Video.

34. Orders on Motions at 1, *Huntsman v. Soderbergh*, No. 02-M-1662 (D. Colo. 2002); [DGA’s] Motion for Leave to Join Third Parties as Counterdefendants at 1, *Huntsman v. Soderbergh*, No. 02-M-1662 (D. Colo. 2002).

35. Directors Guild of America’s Motion for Leave to Intervene, *supra* note 30, at 3; [DGA’s] Motion for Leave to Join Third Parties as Counterdefendants, *supra* note 34, at 2.

36. Motion Picture Studio Defendants’ Answer and Counterclaims, *Huntsman v. Soderbergh*, No. 02-M-1662 (D. Colo. 2002); Hollywood Studios Join Film-Sanitizing Suit (Dec. 13, 2002), at <http://www.reuters.com> (on file with author).

37. See *Complaint*, *supra* note 3 and accompanying text.

38. *Id.*

39. 17 U.S.C. § 101 *et seq.* (2002).

40. 15 U.S.C. § 1125(a) (2002).

trademark dilution in violation of § 43(c) of the Lanham Act.⁴¹ As the creative artists responsible for the overall creative vision of the motion picture works,⁴² the Motion Picture Director Defendants (“Directors”) sought declaratory and injunctive relief for trademark violations under the Lanham Act and state law.⁴³

The third-party movie editing companies currently use two basic technologies to create altered versions of the original motion picture works—digital editing⁴⁴ and digital filtering.⁴⁵ In the case of digital editing, the customer buys a movie on VHS or DVD and sends the movie to the company for editing.⁴⁶ If the customer does not already own a copy of the movie, the customer can purchase one online at the same time that she or he orders the editing service from the company. The editing service companies make it appear that they edit the actual VHS tape or DVD that the customer sends to them. However, the company has already created a “master” copy of their edited version of that particular movie. The company creates this master by making an unauthorized copy of the original film, then altering the unauthorized copy by using cut edits and volume muting to create an unauthorized derivative work of the original. Finally, the company copies the altered version from this “master” copy onto VHS or DVD for distribution and sale to the home viewer. In the case where the original version of the customer’s movie is on VHS, in an effort to make it appear that the editing process is a replacement for, rather than a substitution for the original movie, the “master” is copied onto the VHS tape originally purchased by the customer—that is, the altered version is recorded over the original version.⁴⁷ The original tape, with the altered version copied over the original, is then placed in the original packaging.⁴⁸ In the case of DVDs, the customer’s DVD cannot be recorded over, so the company “burns” the altered version

41. *Id.* at § 1125(c); Motion Picture Studio Defendants’ Answer and Counterclaims, *supra* note 36.

42. Proposed Amended Counterclaim at 9-10, *Huntsman v. Soderbergh*, No. 02-M-1662 (D. Colo. 2002).

43. *Id.* at 16.

44. Digital editing companies use traditional cut and splice techniques to perform their editing services. *See infra* Part IV. A.

45. Digital filtering companies use software programs to send commands, or filters to a DVD player to tell it when to skip certain sounds and scenes. *See infra* Part IV. B.

46. *See infra* Part IV. A.

47. *Id.*

48. Kieth Merrill, *Cleaning Up the Movies, Part I*, MERIDIAN MAG. (June 4, 2002), at <http://www.meridianmagazine.com/arts/020604clean.html> (on file with author).

of the movie onto a blank DVD-R. The company returns the customer's originally purchased DVD along with the new DVD containing the altered version of the movie.⁴⁹

In contrast, third-party movie filtering companies create filtering products consisting of two basic software components—filtering application program (or in some cases, hardware microcomputer chips), and a custom-made editing filter for each original motion picture title that they plan to offer.⁵⁰ When the home user plays their original motion picture DVD, the filtering software application program uses the custom-made “filter” to instruct the DVD player to mute the volume or prevent a portion of the film from displaying, while the original DVD itself remains unaltered.⁵¹

Both technologies raise issues under the Copyright Act and the Lanham Act. Digital editing arguably involves direct copyright infringement through the creation of unauthorized copies and derivative works, as well as unauthorized public distribution of derivative works.⁵² In contrast, digital filtering raises issues of contributory copyright infringement:⁵³ offering filtering software and mask products for sale to the public arguably constitutes soliciting, encouraging, and/or assisting home users to create unauthorized derivative works⁵⁴ based on the Studios' original motion pictures.⁵⁵ The creation of these works by home users may arguably constitute direct infringement.

Both editing technologies also raise trademark issues under sections 43(a) and 43(c) of the Lanham Act. According to the Studios, the digital editing companies' “continued use of the Studio Trademarks on and in association with their unauthorized and unlawful edited copies of the Studios' motion pictures is likely to cause confusion in the marketplace; falsely and erroneously suggest a connection or association with the Studios; and deceive consumers, including both initial and subsequent purchasers, as to the source, sponsorship and origin of such unlawfully edited motion pictures” in violation of section 43(a).⁵⁶ In addition, the Studios have argued that

49. *Id.*

50. *See infra* Part IV. B.

51. *Id.*

52. *See infra* Part II. A.

53. *See infra* Part II. B.

54. *Id.*

55. Motion Picture Studio Defendants' Answer and Counterclaims, *supra* note 36, at 5-6.

56. *Id.*

continued use of their trademarks “in association with the unauthorized and unlawful edited copies of [their] motion pictures has diluted and will continue to dilute the distinctive quality of each of [the] trademarks,” in violation of section 43(c).⁵⁷

II. Copyright Issues

Copyright law protects original works of authorship fixed in any tangible medium of expression.⁵⁸ “[M]otion pictures and other audiovisual works”⁵⁹ comprise one of eight specifically enumerated categories of “original works of authorship” protected by the Copyright Act.⁶⁰ Copyright law seeks to balance copyright owners’ property interests in their creative works with the interests of the public in the benefits of the creative works.⁶¹ In the case of a motion picture, the copyright owner has the exclusive right to reproduce the copyrighted work in copies, to create derivative works, to distribute copies of the copyrighted work to the public, and to publicly perform or display the work, as well as the exclusive right to authorize others to engage in these activities.⁶² Thus, the exclusive rights of reproduction, modification, distribution, and public performance and display are reserved for the copyright owner alone.⁶³

Copyright infringement occurs whenever anyone other than the copyright owner exercises any of the exclusive rights in copyrighted works without a statutory privilege or the authorization of the copyright owner.⁶⁴ None of the third-party editing companies claim ownership of the copyrights of the motion pictures of which they

57. *Id.*

58. § 102. *Subject matter of copyright: In general*

(a) Copyright protection subsists . . . in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories: (1) literary works; (2) musical works, including any accompanying words; (3) dramatic works, including any accompanying music; (4) pantomimes and choreographic works; (5) pictorial, graphic, and sculptural works; (6) motion pictures and other audiovisual works; (7) sound recordings; and (8) architectural works.

17 U.S.C. § 102(a) (2002).

59. 17 U.S.C. § 102(a)(6) (2002) (providing a non-exhaustive list of categories).

60. *Id.* at § 102.

61. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429, 431-32 (1984).

62. 17 U.S.C. § 106 (2002).

63. *See id.*

64. 17 U.S.C. § 501(a) (2002).

provide edited versions.⁶⁵ Nor do they claim authorization from the copyright owners (the major Hollywood movie studios) to exercise any of the exclusive rights of the copyright owners which are implicated in these editing activities—the reproduction of the works in copies, the preparation of derivative works, or the distribution of copies.⁶⁶

A. Direct Infringement

The copyright owner has the exclusive right (1) to reproduce the copyrighted work in copies, (2) to prepare derivative works based on the copyrighted work, and (3) to distribute copies of the copyrighted work, or to authorize such copying, preparation of derivative works, or distribution of copies.⁶⁷ Direct infringement occurs when a party has directly exercised, without consent or statutory privilege, one of the exclusive rights reserved for the copyright owner.⁶⁸

By statute, a derivative work is “a work based upon one or more preexisting works.”⁶⁹ For someone to be liable for copyright infringement on the basis of preparation of a derivative work, the derivative work “must incorporate a portion of the copyrighted work in some form.”⁷⁰ Thus, when third-party editing companies⁷¹ use digital editing technology to create unauthorized altered versions of copyrighted motion pictures by creating a “master” copy consisting of picture and sound edits or other alterations,⁷² it may be argued that they directly infringe the exclusive rights of the Studios to copy, distribute, and create derivative works based on the latter’s copyrighted motion pictures.

Direct infringement may also take place when home users operate digital filtering technology to alter the performance of their DVDs at home. This is because the exclusive right to prepare derivative works based on a copyrighted work may be infringed even where no unauthorized copies have been created.⁷³ Reproduction of a

65. *Complaint*, *supra* note 3 and accompanying text.

66. *Id.*

67. 17 U.S.C. § 106(1)-(3) (2002).

68. *Sony*, 464 U.S. at 434-35.

69. 17 U.S.C. § 101 (2002).

70. H.R. REP. NO. 94-1476, at 62 (1976).

71. CleanFlicks, Video II, Clean Cut, Family Safe, and Family Flix.

72. See Proposed Amended Counterclaim, *supra* note 42 and accompanying text; Motion Picture Studio Defendants’ Answer and Counterclaims, *supra* note 36 and accompanying text.

73. H.R. REP. NO. 94-1476, at 62 (1976).

work “requires fixation in copies or phonorecords,”⁷⁴ which requires that its fixation in tangible form “is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.”⁷⁵ In contrast, in the case of the exclusive right to create a derivative work, the legislative history of the Copyright Act makes clear that the preparation of a derivative work “may be an infringement even though nothing is ever fixed in tangible form.”⁷⁶ Thus, as discussed in Part V A. 2. below, an altered performance of a DVD may be an infringement even if the alterations are not recorded.

B. Contributory Infringement

Although section 501 of the Copyright Act refers simply to copyright “infringement,”⁷⁷ the federal courts have developed the judicial doctrines of “direct” infringement and “contributory” infringement.⁷⁸

Under the doctrine of contributory infringement “[o]ne who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a ‘contributory’ infringer.”⁷⁹ Thus, the courts have held, contributory infringement occurs when a defendant solicits, encourages, or assists a direct infringement.⁸⁰

74. *Id.*

75. 17 U.S.C. § 101 (2002).

76. H.R. REP. NO. 94-1476, at 62 (1976).

77. 17 U.S.C. § 501(b) (2002).

78. Courts developed the doctrines of direct infringement and contributory infringement prior to the enactment of the Copyright Act of 1976. It was not Congress’ intention to supercede such doctrines with the passage of the Act, but to codify the state of copyright law, including these common law developments. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 486 (1984) (“Although the liability provision of the 1976 Act provides simply that ‘[a]nyone who violates any of the exclusive rights of the copyright owner . . . is an infringer of the copyright,’ 17 U.S.C. § 501(a), the House and Senate Reports demonstrate that Congress intended to retain judicial doctrines of contributory infringement. 1975 Senate Report 57; 1976 House Report 61.”)

79. *Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971); *see also* *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996) (“Contributory infringement has been described as an outgrowth of enterprise liability, . . . and imposes liability where one person knowingly contributes to the infringing conduct of another.”). Or as stated by another court: liability exists where the defendant engages in “personal conduct that encourages or assists the infringement.” *Matthew Bender & Co. v. West Publ’g Co.*, 158 F.3d 693, 706 (2d Cir. 1998).

80. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 435 (1984).

If the conduct of home viewers directly infringes the Studios' motion picture copyrights, then it is possible that the makers⁸¹ and vendors of these filtering services have engaged in contributory infringement.

According to the contributory infringement doctrine, therefore, regardless of whether the conduct of the third-party editing companies directly infringes, if creation and distribution of filtering technologies enables the home user to directly infringe the Studios' exclusive rights of reproduction or preparation of derivative works, then the third-party editing companies may be liable for contributory infringement. Arguably, therefore, third-party editing companies contributorily infringe by offering hardware or software digital filtering technologies that assist home users in removing "objectionable" content. This argument is explored in greater detail in Part V A. below.

C. Fair Use

However, the exclusive rights of the copyright owner are not unlimited. Thus, not all unauthorized uses of copyrighted works are infringing.⁸² Under section 107 of the Copyright Act,⁸³ some unauthorized uses of the exclusive rights are considered to be fair use of the author's work, e.g., "criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research."⁸⁴ Thus, even if the third-party editing companies create unauthorized copies or derivative works of the studios' motion pictures, or assist home users in doing so, the companies will not be liable for direct or contributory infringement if such unauthorized works constitute fair use of the motion pictures.

Courts consider four major factors in determining whether the use of a particular copyrighted work is fair: "(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work."⁸⁵ Other relevant factors may also be considered, however,

81. ClearPlay, MovieMask, and MovieShield.

82. 17 U.S.C. § 107 (2002).

83. *See id.*

84. *Id.*

85. *Id.*

since “fair use is an ‘equitable rule of reason’⁸⁶ to be applied in light of the overall purposes of the Copyright Act.”⁸⁷ Thus, the third-party editing companies will not be liable for copyright infringement if, in light of the section 107 factors, their conduct represents fair use of the Studios’ motion pictures. The fair use analysis is relevant both to the conduct of the defendants in making their edited versions or creating their filtering software, and to the conduct of home users in utilizing the filtering software to create altered performances of the copyrighted motion pictures.

D. Substantial Non-infringing Uses

Finally, even if the home users’ activities do not constitute fair use, so that the third-party editing companies are found to facilitate direct infringements by home users, the editing companies can avoid contributory liability if they can demonstrate that their technologies are capable of substantial non-infringing uses.⁸⁸ For example, in *Sony Corporation of America v. Universal City Studios, Inc.*, Universal claimed that some home viewers had engaged in direct copyright infringement because they had recorded some of Universal’s copyrighted works from commercially sponsored television broadcasts using Sony’s Betamax video tape recorders (“VTRs”).⁸⁹ Universal claimed that Sony was liable for contributory copyright infringement, because Sony had marketed the VTRs to consumers.⁹⁰ The Supreme Court held that Sony’s sale of the Betamax VTRs did not constitute contributory infringement of Universal’s copyrights because the VTRs were capable of substantial non-infringing uses.⁹¹ The Court reasoned that “the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes,”⁹² adding that “it need merely be capable of substantial non-infringing uses.” Although the Court noted that the substantial non-infringing uses must also be “commercially

86. H.R. REP. NO. 94-1476, at 65-66 (1976).

87. *UMG Recordings, Inc. v. MP3.com, Inc.*, 92 F. Supp. 2d 349, 350 (S.D.N.Y. 2000) (citing *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 448, 454 (1984)). Some courts, for example, have considered the defendant’s good faith (or lack thereof) to be a relevant factor. *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 562-563 (1985); *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 585 (1994).

88. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 440-42 (1984).

89. *Id.* at 420.

90. *Id.*

91. *Id.* at 456.

92. *Id.* at 442.

significant,” the Court determined that one such potential non-infringing use by Betamax users was “private, noncommercial time-shifting in the home”—recording the broadcast for viewing at a later, more convenient time—which the Court found to be a fair use.⁹³

Thus, third-party digital editing companies may avoid liability for contributory infringement if their products are capable of substantial non-infringing uses, even if they have enabled home users to directly infringe. The challenge will be to identify what those substantial non-infringing uses might be.

III. Trademark Issues

A. Federal Unfair Competition Under the Lanham Act—Section 43(a)

Section 43(a) of the Lanham Act prohibits unfair competition through the use of a false designation of origin, or a false designation or representation in connection with any goods and services in the stream of commerce, if it is likely to cause consumer confusion.⁹⁴ In most states, the state law of trademark or unfair competition is similar to the Lanham Act. Thus, under section 43(a) of the Lanham Act, as well as the relevant state law, associating the name of a person or company, such as a film director, producer, or studio, with a mutilated version of the person’s or company’s creation, such as an edited film, may be actionable as a false designation of origin.

For example in *Gilliam v. American Broadcasting Co., Inc.*,⁹⁵ the Second Circuit held that ABC violated section 43(a) of the Lanham Act when it extensively edited *Monty Python* episodes to fit time constraints and insert commercials, because the resulting broadcast misrepresented the origin of the altered episodes by identifying the Monty Python troupe as the source of these episodes.⁹⁶ Similarly, in *King v. Innovation Books*,⁹⁷ the Second Circuit held that an attribution of possessory credit, “Stephen King’s The Lawnmower Man,” was false on its face because, although the film was loosely

93. *Id.* In addition, the Court found that many producers of television programming had no objection to consumer copying of their programs, so that copying of those programs constituted a second non-infringing use. *Id.* at 446-47.

94. 15 U.S.C. § 1125(a).

95. 538 F.2d 14 (2d Cir. 1976).

96. *Id.* at 25.

97. 976 F.2d 824 (2d Cir. 1992).

based on a short story written by Stephen King, the latter “had no involvement in, and gave no approval of [the] screenplay or movie.”⁹⁸

The Supreme Court’s recent decision in *Dastar Corporation v. Twentieth Century Fox Film Corporation*,⁹⁹ however, casts doubt on the long relied-on Second Circuit holdings in *Gilliam* and *Innovation Books*.¹⁰⁰ As discussed in Part V, below, correct interpretation of *Dastar* could be crucial to the analysis of section 43(a) claims arising from the activities of third-party editors.

B. Federal Trademark Dilution Under the Lanham Act—Section 43(c)

Section 43(c) provides that the owner of a famous mark is entitled to enjoin the commercial use of that mark by another, if the use occurs after the mark is already famous and results in the dilution of the famous mark.¹⁰¹ To the extent that third-party movie editing companies create and distribute unauthorized altered versions of motion pictures directed by the Directors and created, financed, produced, and distributed by the Studios, they may also face liability for dilution under section 43(c) of the Lanham Act.¹⁰² And, to the extent that the third-party movie filtering companies create and distribute filtering products that enable unauthorized altered performances of motion pictures, they too may face liability under section 43(c).

Dilution exists whenever the capacity of a famous mark to identify and distinguish goods or services is lessened, regardless of whether or not there is competition between the owner of the mark and anyone else, and even in the absence of likelihood of confusion, mistake, or deception.¹⁰³ By altering the Directors’ original vision and

98. *Id.* at 829. Conversely, in *Choe v. Fordham University School of Law*, 920 F. Supp. 44 (S.D.N.Y. 1995), a federal district court held that the publication of a law review article had not violated section 43(a) of the Lanham Act, because the alleged alterations (scores of typographical and substantive errors) of the plaintiff’s Comment did not rise to the level of the radically altered content found to be a misrepresentation in *Gilliam*, and therefore did not present Choe as the creator of a work not his own. *Id.* at 48-49.

99. 539 U.S. 23 (2003).

100. *E.g.*, *Abend v. MCA, Inc.*, 863 F.2d 1465, 1473-74 (9th Cir. 1988); *Carter v. Helmsley-Spear, Inc.*, 71 F.3d 77, 82 (2d Cir. 1995); *Board of Managers of Soho International Arts Condominium v. City of New York*, 2003 WL 21403333, 17 (S.D.N.Y. 2003).

101. 15 U.S.C. § 1125(c)(1).

102. However, in 1995 Congress passed the Federal Trademark Dilution Act (“FTDA”) for the purpose of extending the Lanham Act federal trademark protection to include dilution of “famous marks” regardless of any competitive activity or likelihood of confusion. *Id.* at § 1125 (3).

103. 15 U.S.C. § 1127.

artistic choices, the third-party editing company technologies arguably reduce the ability of the Directors' famous marks—their names—to distinguish and identify their unique directorial styles and artistry. Similarly, by altering motion pictures created, developed, and distributed by the Studios, arguably these companies have diminished the capacity of the Studios' famous marks to uniquely distinguish and identify their creative works.

For purposes of federal trademark dilution law, mere likelihood of dilution is not sufficient—actual dilution of the famous mark must exist.¹⁰⁴ However, it is not necessary to prove an actual loss of sales or profits to show that actual dilution exists.¹⁰⁵ In *Moseley v. V Secret Catalogue, Inc.*, the Supreme Court concluded “that direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably be proven through circumstantial evidence—the obvious case is one where the junior and senior marks are identical.”¹⁰⁶

As already described, the digital editing technologies return the original packaging along with the altered versions of the original motion pictures on videotape or CD to the consumer.¹⁰⁷ In such a scenario, the marks are unquestionably identical. In the case of the digital filtering products, the software filter is created, marketed, distributed, and sold as the filter for a particular movie.¹⁰⁸ To the extent that the third-party filterers use the name of the film, Studio, Producer, or Director to describe the use of the filter for a particular original film, the marks are arguably identical. And in each case, the screen credits naming these parties as the originators of the now-altered work remain intact, causing viewers to associate the altered film with the original creators and their marks.

C. Trademark Dilution Under State Law

Thirty-four states now have trademark anti-dilution statutes with protections that parallel or exceed the protections afforded by the current Lanham Act.¹⁰⁹ Accordingly, the Studios, Directors and

104. *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 432 (2003).

105. *Id.*

106. *Id.* at 433.

107. *See infra* Part IV. A.

108. *See infra* Part IV. B.

109. Paul Edward Kim, *Preventing Dilution of the Federal Trademark Dilution Act: Why the FTDA Requires Actual Economic Harm*, 150 U. PA. L. REV. 719, 726 n.35 (2001). Prior to the 1996 amendments to the Lanham Act, twenty-five states had enacted trademark anti-dilution statutes that provided trademark protection extending beyond the

Producers may be able to raise state law dilution claims as well. In some cases where the state laws differ from section 43(c) of the Lanham Act, their standards may be easier for the complaining parties to satisfy. In New York, for example, a party claiming dilution need not establish that its mark is famous, and need establish only a likelihood of dilution, rather than actual dilution.¹¹⁰

IV. Third-Party Editing Technologies

Third-party editors currently use either of two basic editing technologies to remove "objectionable" sounds and scenes from motion pictures. The two technologies are digital editing and digital filtering.¹¹¹ Because there are significant differences in the mechanisms involved in these technologies, the copyright and trademark analyses may not be the same for each of them. Thus, to analyze the copyright and trademark issues raised by third-party editing technologies, it is important to understand how the technologies differ.

A. Digital Editing Services

Digital editing technology is the digital counterpart of conventional film and videotape splicing techniques. Instead of physically cutting and splicing a VHS videotape, the original movie is copied from the videotape to a computer equipped with editing software where the cuts are made digitally.¹¹² The original movie is

likelihood of confusion standard provided by federal trademark law. H.R. REP. NO. 104-374, at 3-4 (1995) ("A federal dilution statute is necessary because famous marks ordinarily are used on a nationwide basis and dilution protection is currently only available on a patch-quilt system of protection, in that only approximately 25 states have laws that prohibit trademark dilution."). "State trademark dilution statutes can be divided into four categories: (1) those that follow the United States Trademark Association (USTA) 1964 Model State Trademark Bill; (2) those that follow the USTA 1988 Model State Trademark Bill; (3) those that follow neither model, but follow a "variation" of the USTA 1964 Model Bill; and (4) those that adopt the FTDA as adapted for famous marks within a state." K. Keith Facer, *The Federal Trademark Dilution Act of 1995: A Whittling Away of State Dilution Statutes*, 10 SETON HALL CONST. L.J. 863, 884-85 (2000). Arkansas is the only state so far to adopt the language of the FTDA. *Id.* at 885 n.92. For example, the California state dilution statute and section 43(c) of the Lanham Act have provided for essentially the same rights. CAL. BUS. & PROF. CODE § 14330(a). Courts have determined parties' rights using the same analysis for both federal and state law claims. *Panavision Intern., L.P. v. Toeppen*, 141 F.3d 1316, 1324 (9th Cir. 1998).

110. N.Y. GEN. BUS. LAW § 360-i (McKinney Supp. 2001). *See also*, Nat'l Distillers Prod Co., LLC v. Refreshment Brands, Inc., 198 F. Supp. 2d 474, 486 (S.D.N.Y. 2002); *Allied Main. Corp. v. Allied Mech. Trades, Inc.*, 369 N.E.2d 1162 (1977).

111. Merrill, *supra* note 48.

112. *Id.*

erased from the original videotape and the edited version is then recorded onto the original videotape. For a DVD, the copying and digital cutting steps are the same as for videotape, but the edited version cannot be recorded back onto the original DVD, which will not accept recording. The edited version has to be “burned” onto a new DVD-R (recordable DVD).

CleanFlicks, Clean Films, and Family Flix all use digital editing to remove content that they deem “objectionable.”¹¹³ First, the “objectionable” content is identified, and then those portions of the picture and volume are cut or muted to delete the objectionable content, or alter it in some other way, so that it is effectively removed from the original work.¹¹⁴ CleanFlicks of Colorado creates a master edited version of each film, then copies its master edited/alterd version of each film onto the VHS videocassette (still bearing the original label), which originally contained the authorized, unedited version of the film.¹¹⁵

Clean Films rents edited DVDs to customers through a co-operative rental club. Its website states: “All subscribers to our service become members of the Co-op. The Co-op collectively purchases original, unedited DVD movies[,] then has them edited—always maintaining a 1:1 ratio of edited and non-edited originals.”¹¹⁶

The Family Flix service involves a similar process. The customer may send their DVD original copy of the movie along with its original case, or purchase the original directly from Family Flix.¹¹⁷ In both cases, Family Flix will then “disable the original DVD and adhere it to the original case and put the edited DVD in its place.”¹¹⁸

B. Digital Filtering Products

In contrast to digital editing, digital filtering technologies do not alter the home viewer’s DVD. Digital filtering products consist of software applications or hardware components and custom-made software instructions. A set of software instructions is custom-made for each original motion picture DVD to be “edited for content.” The digital editing companies variously refer to their sets of software

113. *Id.*

114. *Complaint, supra* note 3, at 3-4.

115. Motion for Leave to Join Third Parties as Counterdefendants, *supra* note 34, at 4.

116. About Edited Movies (Dec. 26, 2002), at http://www.cleanfilms.com/about_edited.phtml (on file with author).

117. DVD Information (July 21, 2003), at <http://www.familyflix.net/dvds.htm> (on file with author).

118. *Id.*

editing instructions as “filters,” “templates,” “masks,” or “guides.”¹¹⁹ The custom-made software instructions are specifically created to correspond to the “objectionable” video and sound of a particular motion picture. To alter content, the software program or specially equipped DVD player runs the “filter” or “mask” while the original motion picture DVD is playing.

To understand the operation of filtering technologies, it is helpful to understand the operation of motion picture DVDs. DVD versions of original motion pictures are created by converting the analog motion picture, originally shot on 35mm movie film, to digital code, then into compressed MPEG-2 format, and finally recorded onto DVD.¹²⁰ To view a movie recorded on DVD, the computer or standalone DVD player translates the compressed digital representation back into the pictures and sounds of the original film.¹²¹

Both ClearPlay and MovieMask produce and market digital filtering technologies.¹²² ClearPlay creates software filters called “guides” corresponding to video and audio content deemed to be “objectionable.”¹²³ Using the filtering “guides,” ClearPlay’s control software program activates the DVD player’s Skip and Mute functions to edit out the “objectionable” sounds and images.¹²⁴

Trilogy Studios’ digital filtering product—called Movie Mask—uses its own proprietary software editing program and “mask” files developed specifically for each movie to enable the movie edits.¹²⁵ The MovieMask editing filters are designed to be used in conjunction with Trilogy’s proprietary software, which controls the DVD player’s MPEG-2 decoder at the frame level of accuracy. This software allows for more finely tuned skips and mutes when using the MovieMask

119. Kieth Merrill, *Cleaning Up the Movies, Part II*, MERIDIAN MAG. (June 4, 2002), at <http://www.meridianmagazine.com/arts/020904clean.html> (on file with author).

120. Merrill, *supra* note 48.

121. *Id.*

122. Kieth Merrill, *Cleaning Up the Movies, Part II*, MERIDIAN MAG. (June 4, 2002), at <http://www.meridianmagazine.com/arts/020904clean.html> (on file with author).

123. Merrill, *supra* note 48.

124. *Id.* ClearPlay created its DVD player control software using Microsoft DirectShow.

125. Roy Santos, *First Look: Trilogy Studios MovieMask*, at <http://www.techtv.com/products/software/story/0,23008,3371490,00.html> (last visited Dec. 26, 2002) (on file with author).

editing filter to remove offensive scenes and sounds.¹²⁶ Its proprietary decoder works frame by frame.¹²⁷

The first step in the design of the editing filters takes place when a Review Board made up of members internal and external to Trilogy Software decides what content in each movie is considered to be offensive.¹²⁸ After the “objectionable” content has been identified, the editing filter necessary to suppress the display of the video and/or sound of the “objectionable” material is created.¹²⁹ The resulting motion picture display incorporates the DVD’s original content and the edited portions with the “objectionable” content removed.¹³⁰

Other editing technologies consist of hardware as well as software components. Family Shield Technologies markets a filtering product called MovieShield.¹³¹ The product consists of one hardware component that downloads custom-made software editing filters, called “shields.”¹³² Another electronic device connects between the home viewer’s VCR or DVD player and television set and processes the “shield” edits downloaded from their website.¹³³ The device uses the “shield” edits and the NTSC¹³⁴ line 21 closed captioning time-code¹³⁵ to activate the skipping and muting functions on the DVD player to create an altered performance of the original motion picture.¹³⁶

Family Safe Media markets a product called TV Guardian as a stand-alone device, or as a device pre-installed in several name brand

126. MovieMask FAQ, at <http://www.moviemask.com/faq.php> (last visited Mar. 4, 2003) (on file with author).

127. Santos, *supra* note 125.

128. MovieMask FAQ, *supra* note 126.

129. *Id.*

130. See Motion for Leave to Join Third Parties as Counterdefendants at 4-5, *Huntsman v. Soderbergh*, No. 02-M-1662 (D. Colo. 2002) (arguing that these “software products effectively create a new version of a director’s work by removing content that the counterdefendants deem ‘objectionable’ using a ‘mask’ or ‘guide’ to mute the sound or skip over portions of movies during playback.”).

131. About MovieShield, at <http://www.movieshield.com/about.htm> (last visited Dec. 27, 2002) (on file with author).

132. *Id.*

133. *Id.*

134. Internet.com Webopedia, (The National Television System Committee “is responsible for setting television and video standards in the United States.”), at <http://www.webopedia.com/TERM/N/NTSC.html> (last visited Feb. 14, 2004) (on file with author).

135. Glossary of Captioning Terms, (The electronic signal embedded in a videotape that discretely identifies each frame of video), at www.ezdvdadvisor.com/public/500.cfm (last visited Feb. 14, 2004) (on file with author).

136. About MovieShield, *supra* note 131.

DVD/VCR players, which mutes “offensive” words and phrases and substitutes a sanitized version.¹³⁷ TV Guardian uses both the closed captioned hearing timing signal and the closed captioned hearing text display (provided for hearing impaired viewers) to control the playback of offensive language only, not objectionable scenes.¹³⁸ A programmed microcomputer within the device checks the closed caption signal text against a stored database of objectionable words, mutes the offending word, substitutes a sanitized word from the database, and displays the replacement word as text on the closed captioned text display line of the viewer’s television set.¹³⁹ RCA now offers a ClearPlay DVD player that comes equipped with 100 pre-installed filters.¹⁴⁰

Although the processes differ, both digital filtering and digital editing yield the same kind of altered audiovisual performance—an edited version of the original motion picture. Both processes create a motion picture performance that combines a substantial portion of the original motion picture with the unauthorized “editorial revisions” of the third-party editing companies. However, only digital editing technology creates a tangible permanent copy, because software filtering technology leaves the consumer’s DVD unaltered.¹⁴¹

V. Analysis

A careful application of these principles of copyright and unfair competition law to third-party editing involves a multi-step analysis. First, to determine whether the third-party editing companies’ use of digital editing or digital filtering technologies constitutes copyright infringement, it must initially be determined whether any unauthorized exercise of the copyright holders’ exclusive rights has occurred. As discussed below, the right to make and distribute copies and the right to create derivative works are implicated in the analysis. Next, it must be determined whether the statutory privilege of fair use permits some or all of those uses. Finally, if the home users are

137. TV Guardian Q & A, at <http://www.tvguardian.com/html/qanda.html> (last visited Dec. 26, 2002) (on file with author).

138. Frequently Asked Questions, at <http://www.tvguardian.com/html/qanda.html> (last visited Dec. 26, 2002) (on file with author).

139. *Id.*

140. The Rugged Elegance Inspiration Network, News and Events, *ClearPlay DVD Player Now Available Exclusively at WalMart.com*, at <http://www.ruggedelegantliving.com/a/002634.html> (last visited Aug. 22, 2004) (on file with author).

141. Although if fixation in RAM is sufficient, maybe both versions are fixed. See *infra* note 190 and accompanying text.

engaged in infringing activities, it must still be determined whether the editing companies can avoid contributory liability by showing that there are any substantial non-infringing uses for their products.

The Lanham Act analysis under section 43(a) focuses on whether the act of distributing the altered films or the filtering products involves a false designation of the origin of those films, by misrepresenting the altered films as the product of the original film's creative contributors. In contrast, the Lanham Act analysis under section 43(c) turns on whether distribution of the altered films or the filtering products dilutes the distinctive quality of the studios' or directors' famous trademarks, even if it does not involve a false designation of origin.

A. Copyright Issues

Determining whether the use of digital editing or digital filtering technologies involves copyright infringement requires posing several questions about each technology: (1) Does the creation of a digitally edited DVD or VHS version of a film constitute direct copyright infringement through the unauthorized creation of either a derivative work or a copy? (2) Do home users infringe the motion picture copyrights when they use filtering products to alter only the audiovisual *performance* of copyrighted films? (3) If so, are the producers of digital filtering software contributorily liable for the home users' direct infringements? (4) Regardless of whether the altered audiovisual performance is itself infringing, does the creation of the filtering software itself involve infringing reproduction, or is it a type of permissible reverse engineering which qualifies as fair use? Each of these questions will be addressed in turn.

1. *Direct Infringement by Digital Editing*

As discussed in Part IV A, digital editing (as opposed to filtering) involves physical copying and distribution of altered versions of copyrighted films.¹⁴² To make the altered versions available to their customers, the companies first create an intermediate copy of the film, then place that copy into a digital editing software application. The companies then use the digital editing program to create the altered version by removing the "objectionable" picture and sound portions of the original motion picture and saving the result to a "master" copy. Finally, the companies copy the altered version from

142. See *supra* Part IV. A.

the digital “master” onto the customer’s VHS tape or DVD and return it to the customer.¹⁴³

The law is clear that these activities constitute unauthorized copying. In *UMG Recordings, Inc. v. MP3.com, Inc.*,¹⁴⁴ for example, MP3.com had offered its My.MP3.com Internet CD storage service to subscribers. To make the copies available to its subscribers, MP3.com purchased tens of thousands of plaintiffs’ CDs and converted these recordings to MP3 files, which it then stored on its server.¹⁴⁵ The court held that MP3.com had directly infringed the plaintiffs’ exclusive rights to copy their sound recordings.¹⁴⁶ MP3.com had claimed that its service was the “functional equivalent” of storing its subscribers’ CDs so that subscribers could store, customize, and listen to their recordings from any computer with an Internet connection.¹⁴⁷ However, the federal district court concluded that MP3.com was in fact reproducing and distributing copies of the MP3¹⁴⁸ files it had copied and converted from plaintiffs’ copyrighted CDs without authorization.¹⁴⁹ The court found that such copying gave rise to a presumptive case of copyright infringement.¹⁵⁰

In a similar manner, the activities of the third-party editing companies that actually create altered DVDs and VHS tapes give rise to a prima facie case of direct infringement of the copyright owners’ exclusive rights to copy and distribute their motion pictures, and to prepare derivative works based on those films. The editing companies’ “master” copy of the altered version is both a copy and a derivative work of the original copyrighted motion picture, because it incorporates almost all of the original film—all but the “objectionable” portions of the film—and it also constitutes a new work—or “adaptation”—based on the preexisting original film. The companies then make multiple copies of the altered works, thus engaging in additional unauthorized copying.¹⁵¹ Moreover, the intermediate unaltered copy—the one that is used to create the edited master—is itself an unauthorized copy that serves no other purpose

143. *Id.*

144. *UMG Recordings, Inc. v. MP3.com, Inc.*, 92 F. Supp. 2d 349 (S.D.N.Y. 2000).

145. *Id.* at 350.

146. *Id.* at 353.

147. *Id.* at 350.

148. *See generally* Recording Indus. Ass’n of Am. v. Diamond Multimedia Sys Inc., 180 F.3d 1072, 1073-74 (9th Cir. 1999).

149. *MP3.com*, 92 F. Supp. 2d at 350.

150. *Id.*

151. *See supra* Part IV. A.

than to facilitate creation of the unauthorized derivative work, and thus gives rise to another instance of prima facie direct infringement, but one that is potentially rebuttable if the intermediate copying activity constitutes fair use.¹⁵² Finally, the copyright owners' exclusive right to distribute copies of their motion pictures is directly infringed when the editing companies distribute copies of the altered motion pictures by selling them to their customers.

Even if the creation and distribution of these altered films is unauthorized use by the digital editing services, the use may not be infringing if it is a fair use. Using the four-factor statutory analysis under section 107, however, the digital companies will be unlikely to prevail in an argument for fair use. The purpose and character of the use is commercial, the nature of the copyrighted work is creative, and almost the entire film is being copied. Thus, three of the four factors strongly disfavor fair use in the case of digital editing. As to the fourth factor—the effect of the use upon the potential market for, or value of, the copyrighted work—even if the digital editing services were to increase the sales of the original motion picture, the sale of such services invades the potential market of the copyright owners who might have wanted someday to produce their own edited versions of their films in order to exploit this derivative market.¹⁵³ Indeed, the copyright owners might have produced edited versions of their own films that would have been of higher quality than the unauthorized versions produced by the editing companies.

The fair use analysis of the digital editing of DVDs is very similar to the fair use analysis of the Internet CD storage services offered in *MP3.com*. As noted earlier, in order to offer its My.MP3.com Internet CD storage service to subscribers, defendant MP3.com purchased tens of thousands of plaintiffs' CDs and copied the recordings as MP3 files onto its server.¹⁵⁴ Defendant MP3.com claimed that its acts of copying the plaintiffs' CDs were non-infringing because they were protected by fair use.¹⁵⁵ The district court considered the statutory fair use factors and held that fair use did not apply.¹⁵⁶ The purpose of the use was commercial, because, although MP3.com did not charge its customers at the time, it had plans to do

152. The fair use issue is addressed in Part V.A.3. *infra*.

153. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 592-94 (1994) (noting that the plaintiffs might have been interested someday in producing their own rap derivative of their copyrighted song).

154. *MP3.com*, 92 F. Supp. 2d 349, 350.

155. *Id.* at 350.

156. *Id.* at 352.

so in the future.¹⁵⁷ The use did not transform the new work, because the mere conversion into another medium did not add anything new to the already existing work.¹⁵⁸ The nature of the copied material—musical works—placed these copyrightable works closer “to the core of intended copyright protection than others.”¹⁵⁹ Thus the first two fair use factors did not favor fair use.¹⁶⁰

The *MP3.com* court also found that the third fair use factor—the amount and substantiality of the use—favored the plaintiffs.¹⁶¹ The MP3 music files had been distributed and copied in their entirety when users downloaded the files to their personal computers and replayed them.

As to the fourth factor, the court concluded that defendant MP3.com’s activities had affected the potential market for plaintiffs’ works by “invas[ing] plaintiffs’ statutory right to license their copyrighted sound recordings to others for reproduction.”¹⁶² Defendant MP3.com argued that its services would only increase plaintiffs’ sales because subscribers to its service could not gain access unless they purchased their own copy of the recordings. The district court did not agree, finding that even if there were such a positive affect on sales in a prior market, the defendant was not free to take a future, as-yet undeveloped market from the plaintiffs.¹⁶³

In *MP3.com* the court found the purpose and character of the use to be commercial and nontransformative. Digital editing of films, in contrast, is commercial but transformative which would appear to make digital editing a stronger case for fair use. However, the commerciality of the use more than counterbalances its transformative aspect. On balance therefore, the first fair use factor is still likely to favor the plaintiffs. As in *MP3.com*, the other three fair use factors all weigh against fair use. Accordingly, in light of the close parallel between digital editing services and the services at issue in *MP3.com*, the activities of digital editing companies should not qualify as fair use.

157. *Id.* at 351.

158. *Id.* The court rejected the defendant’s “space shifting” argument.

159. *Id.* at 351-52 (quoting *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 586 (1994)). For example, where the work is a fictional story, a motion picture, or other creative work, fair use will be harder to establish than where the work is a factual account, a news broadcast, or some other factual work.

160. *MP3.com*, 92 F. Supp. 2d at 351-52.

161. *Id.* at 352.

162. *Id.*

163. *Id.*

2. *Digital Filtering*

a. Direct Infringement by Creation of Intermediate Copy

In contrast to those engaging in digital editing, the companies using digital filtering technologies do not engage in the same kind of infringing activities as digital editing companies, because they do not create or distribute physical copies of altered DVDs or VHS tapes. However, their activities may nonetheless give rise to liability for direct copyright infringement.

Digital filtering companies must make an intermediate copy of each motion picture in order to map out the precise areas to be targeted by their respective content filters (“guides,” “masks,” or “shields”). As in the case of digital editing, this intermediate copy gives rise to a *prima facie* case of direct infringement, rebuttable only upon a showing of fair use. Whether fair use can be established in such a case is discussed in Part V A. 2. b. below.

b. Direct Infringement by Home Users of Filtering Software, and Contributory Infringement by Digital Filtering Companies

Unlike digital editing, which implicates only direct infringement, digital filtering raises questions of contributory as well as direct infringement. In digital filtering, the altered version of the movie is created not by the third-party company, but by the home user. Thus, the filtering companies do not directly create an infringing derivative work. Rather, the issue is whether the filtering companies enable home users to create an infringing derivative work because their digital filters facilitate the creation of an altered *performance* by home users. If so, then the digital filtering companies face potential contributory liability for their customers’ direct infringements. Contributory liability will be addressed first, followed by direct infringement by home users.

(i) *Contributory Liability*

Contributory liability arises when a defendant solicits, encourages, or assists a direct infringement.¹⁶⁴ That is, another infringer (in this case, the home user) must directly exercise one of the exclusive rights reserved for the copyright owner without

164. See *supra* Part II. B.

authorization,¹⁶⁵ and the defendant must have assisted the direct infringer in exercising one of those exclusive rights.¹⁶⁶

The *Napster*¹⁶⁷ case provides an example. In *A&M Records, Inc. v. Napster, Inc.*,¹⁶⁸ Napster created an Internet subscription service designed to assist subscribers to the Napster service in locating, exchanging, and copying MP3 music files supplied by one another.¹⁶⁹ The Ninth Circuit held that Napster subscribers had directly infringed the copyright owners' exclusive rights of reproduction and distribution by exchanging these copyrighted music files. Specifically, the court found that Napster users had directly infringed the copyright owners' distribution rights by uploading the music file names to the search index on Napster's servers for others to copy, and had infringed their reproduction rights by downloading the copyrighted music. In addition, the court held Napster liable for contributory infringement, because Napster had actively solicited users to subscribe to its Internet service that had been specifically designed as an MP3 file exchange and copying service.¹⁷⁰ The court found that Napster had actual knowledge of direct infringement by its users, that its services had no substantial non-infringing uses, and that Napster was therefore contributorily liable for the infringing activities of its users.¹⁷¹

Similarly, digital filtering companies may be contributorily liable for knowingly assisting home users in creating unauthorized derivative works, if the filtering software has no substantial non-infringing uses.¹⁷² However, the question of contributory liability turns on the underlying question of whether home users of the digital filtering technology have committed a direct infringement by creating an unauthorized derivative work each time they use the filtering technology to alter the performance of a copyrighted film.

165. See *supra* Part II. A.

166. See *supra* Part II. B.

167. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001).

168. *Id.*

169. *Id.* at 1014.

170. *Id.* at 1022.

171. *Id.* at 1020.

172. *But see* *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 259 F. Supp. 2d 1029, (C.D. Cal. 2003) (holding that defendants were not contributorily liable because their internet file sharing system software had substantial non-infringing uses). See also *supra* Part V. A. 4.

(ii) *Direct Infringement by Home Users*

The question of whether the technologically altered performance created by a home user employing filtering software is an infringing derivative work is perhaps the most difficult issue posed by the digital filtering technologies, because the altered performance does not involve a physical or permanent change to the DVD, only a transitory change in the audiovisual display when the DVD is performed.

Courts addressing analogous facts arising under earlier technologies have reached conflicting conclusions. In *Lewis Galoob Toys, Inc. v. Nintendo of Am. Inc.*,¹⁷³ for example, Nintendo manufactured the Nintendo Entertainment System, a home video game system that played video game cartridges produced or licensed by Nintendo.¹⁷⁴ Galoob manufactured the Game Genie, a device that allowed a player to alter up to three features of a Nintendo game cartridge at the same time. The player would attach the Game Genie to the game cartridge and insert the Game Genie and cartridge into the Nintendo System to play the altered version of the game.¹⁷⁵ The Ninth Circuit court held that the audiovisual performance created by the Game Genie was not itself a derivative work, because the Game Genie did not physically incorporate a portion of the Nintendo game.¹⁷⁶ The court stated that “[a] derivative work must incorporate a protected work in some *concrete or permanent* ‘form.’”¹⁷⁷ In other words, the underlying work must be physically contained in the derivative work.¹⁷⁸ Therefore, the court concluded, if only the performance of the work was altered, the protected work was not “incorporated” and thus was not infringed.

However, the Ninth Circuit’s statement of the law in *Galoob* was inaccurate. Nowhere does the statutory definition of a derivative work require incorporation of the underlying work in a “*concrete or permanent*” form. Rather, the section 101 definition simply refers to “any other form in which a work may be recast, transformed, or adapted.”¹⁷⁹ The statute illustrates this with a list of examples: “a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction,

173. *Lewis Galoob Toys, Inc. v. Nintendo of Am. Inc.*, 964 F.2d 965 (9th Cir. 1992) [hereinafter *Galoob*].

174. *Id.* at 967.

175. *Id.*

176. *Id.* at 968-69.

177. *Id.* at 967 (emphasis added).

178. *Id.*

179. 17 U.S.C. § 101 (2002).

abridgement, condensation, or *any other form* in which a work may be recast, transformed, or adapted.”¹⁸⁰ The 1976 House Report confirms that, to constitute an infringing derivative work under section 106(2), the work in question “must incorporate a portion of the copyrighted work in *some form*,” but the Report specifically notes that, “the preparation of a derivative work, such as a ballet, pantomime, or improvised performance, may be an infringement *even though nothing is ever fixed in tangible form*.”¹⁸¹

The Ninth Circuit also compared the function and use of the Game Genie to that of a kaleidoscope, concluding that viewing a copyrighted work through a kaleidoscope would not result in the creation of a derivative work, and that the same conclusion should therefore apply to the Game Genie.¹⁸² However, this part of the court’s analysis is also flawed. The use of a kaleidoscope is more like the use of the Betamax copier in *Sony* than it is like the use of the Game Genie. In *Sony*, the Supreme Court held that the sale of the Betamax copier did not give rise to liability for contributory infringement, because although the copier could be used to infringe, it could also be used to provide substantial non-infringing uses.¹⁸³ Thus, the Court deemed the copier to be a general purpose device that could be infringing, or not, depending on *how* it was used. Therefore, the mere distribution, sale, and use of the copier could not in and of itself be contributory infringement.¹⁸⁴

Similarly, a kaleidoscope has “substantial non-infringing uses,”¹⁸⁵ and thus is not really analogous to the Game Genie. A kaleidoscope can be used to view its own patterns, or to view any other object or scene through the patterns that it can be made to produce. In contrast, the Game Genie had no such “general purpose use;”¹⁸⁶ the only use of the device was to plug into the Nintendo video system and allow a player to alter the performance of the Nintendo cartridge, and had no other use. Similarly, the only function of the filtering software is to alter the performance of a specific copyrighted motion picture.

Galoob may also be wrong for another reason. Many authorities suggest that temporary fixation in RAM (Random Access Memory—a computer’s short term memory) is a sufficient fixation in tangible

180. *Id.* (emphasis added).

181. H.R. REP. NO. 94-1476, at 62 (1976) (emphasis added).

182. *Galoob*, 964 F.2d at 969.

183. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 456 (1984).

184. *Id.*

185. *See supra* Part II. D.

186. *Galoob*, 964 F.2d at 967, 969.

form to constitute a copy or derivative work.¹⁸⁷ Because the audiovisual performance depicted on a computer screen is fixed in RAM, arguably the altered screen display in *Galoob* was in fact fixed, a point that was completely ignored, and apparently not even raised by the plaintiff. This same observation applies to digital filtering; the altered performance that results from filtering is at least temporarily fixed in the RAM of the home user's computer or DVD player. Thus, even if fixation were a prerequisite to finding that an infringing derivative work has been created, the use of the Game Genie, and likewise the use of digital filtering software, would still constitute infringement.

In contrast to *Galoob*, in *MAI Sys. Corp. v. Peak Computer, Inc.*, the Ninth Circuit held that even temporary storage of a work in RAM was a fixation, because it was "sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration,"¹⁸⁸ as required by the Copyright Act definition of "fixed."¹⁸⁹ The court concluded that fixation in RAM constitutes copying whenever copyrighted operating system software is loaded into RAM (at the time a computer is turned on), as is the case when any copyrighted software is loaded into a computer from permanent storage devices such as "hard disk, floppy disk, or read only memory [ROM]."¹⁹⁰

187. See, e.g., *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 519 n.6 (9th Cir. 1993); *Vault v. Quaid Software Ltd.*, 847 F.2d 255, 260 (5th Cir. 1988) ("the act of loading a program from a medium of storage into a computer's memory creates a copy of the program").

188. *Id.* at 518.

189. 17 U.S.C. § 101 (2002).

190. *MAI Sys. Corp.*, 991 F.2d at 517-19. Peak Computer provided maintenance and repair services for their customers who owned MAI computers and operating system software, or other computer brands running the MAI operating system. *Id.* at 513. In order to diagnose their customers' computer problems, Peak's technicians loaded unlicensed MAI software into their customers' computers, as well as their own. *Id.* In concluding that "loading software into RAM creates a copy under the Copyright Act," the court relied on the language of the National Commission on New Technological Uses of Copyrighted Works ("CONTU") Final Report. *MAI Sys. Corp.*, 991 F.2d at 519 n.6 (citing *Final Report of the National Commission on New Technological Uses of Copyrighted Works*, Chapter 3, Computers and Copyright (1980), available at <http://digital-law-online.info/CONTU/contu1.html> [hereinafter CONTU report]); H.R. REP. NO. 96-1307(I) at 23 (1980). Congress established CONTU in 1974 to consider the issue of copyright protection for computer programs and to make recommendations. *MAI Sys. Corp.*, 991 F.2d at 519 n.6. CONTU recommended that: "Because the placement of a work into a computer is the preparation of a copy, the law should provide program into RAM for the purpose of running, maintaining, or repairing that persons in rightful possession of copies of programs be able to use them freely without fear of exposure to copyright liability." *Id.* (citing CONTU report). Following this recommendation, Congress in 1980 amended section 117

Thus, the reasoning in the *Galoob* case is flawed in several respects, which undermines the persuasiveness of its holding that the altered performance of the computer game was not a derivative work.

In a case presenting facts similar to *Galoob*, the Seventh Circuit reached a strikingly different conclusion. In *Midway Mfg. Co. v. Artic Int'l, Inc.*,¹⁹¹ the court concluded that the defendant video arcade operators, who were licensees of the video game machines of Midway Manufacturing, were direct infringers of Midway's audiovisual copyrights.¹⁹² Specifically, the operators created a derivative work by replacing the Midway circuit board with a circuit board created and distributed by Artic, which created a speeded-up version of Midway's "Galaxian" game.¹⁹³

Artic's electronic circuit boards speeded-up the rate of play of the arcade video game machines sold by Midway by making the alien enemies move faster, attack in larger numbers, and drop more bombs at a time.¹⁹⁴ The Seventh Circuit held that this altered audiovisual display was itself an infringing derivative work, because "a speeded-up video game is a substantially different product from the original game."¹⁹⁵ The effect of using Artic's circuit boards was to speed up the overall experience of the game, giving the consumer a more challenging and exciting game. Although the defendant argued that the speeded-up game was like a speeded-up phonograph record, and therefore not a copyright infringement, the court rejected this analogy, observing that there was no demand for a speeded-up record, but there was demand for the speeded-up game because it was more challenging and exciting, and this demand was capable of producing additional revenue. Accordingly, the Seventh Circuit concluded that the users of Artic's product were direct infringers, because they created unauthorized derivative works by using Artic's boards to alter the games' performance. Furthermore, the Seventh Circuit found Artic to be a contributory infringer, because it distributed and sold the circuit boards to the video game machine licensees who committed the direct infringement.¹⁹⁶

of the Copyright Act to provide that loading an authorized copy of a computer program should be treated as non-infringing. Pub.L. 96-517, § 10(b), 94 Stat. 3028 (1980).

191. 704 F.2d 1009 (7th Cir. 1983).

192. *Id.* at 1013.

193. *Id.*

194. *Midway Mfg. Co. v. Artic Int'l, Inc.*, 547 F. Supp. 999, 1004 (N.D. Ill. 1982).

195. *Midway Mfg. Co. v. Artic Int'l, Inc.*, 704 F.2d 1009, 1013 (7th Cir. 1983).

196. *Id.*

In *Midway*, the Seventh Circuit did not address the argument that there was no derivative work because the original version was not physically incorporated in the altered version.¹⁹⁷ The parties apparently did not raise the issue. On the face of it, there is perhaps a better argument for finding physical incorporation in *Midway* than in *Galoob*. The infringing circuit board in *Midway* was inserted in place of one of the video game machine's original circuit boards;¹⁹⁸ thus, there was some type of physical incorporation. However, this argument is relevant only if physical incorporation is essential to a finding of direct infringement. The court in *Midway* did not acknowledge or discuss physical incorporation, because the court concluded that the audiovisual display—that is, the screen images and sounds—were the protected work, not the circuit boards.¹⁹⁹ Thus, the physical incorporation of the circuit boards was not relevant to its analysis.

Interestingly, the district court opinion in *Midway* anticipated the “non-infringing uses” issue ten years prior to the “kaleidoscope” analogy in *Galoob* and two years prior to the Supreme Court’s “substantial non-infringing uses” analysis in *Sony*. Artic’s speed-up kits were designed solely to modify the images of the Galaxian game. Pointing the way to the decision in *Sony*, the *Midway* district court described the uses of the speed-up kit by noting that, “[i]n no way can it be described as a technological breakthrough benefiting the entire electronic games industry.”²⁰⁰ Also, Artic’s earliest advertising of the speed-up kits did not mention any other use for the kits other than specifically to speed up *Midway*’s Galaxian games.²⁰¹ Although there were two other video games on which the speed-up kit could in fact be used, it had the effect of radically altering them, causing the words “WE ARE THE GALAXIANS” to appear the screen, and adding Galaxian game features to games that otherwise had no such features.²⁰² On these facts, the district court in *Midway* had concluded that the sped-up “Galaxian” game, created by a video game arcade

197. *Id.* at 1014 (rejecting other arguments raised on appeal “for the reasons set forth in [the] exhaustive opinion [below].”).

198. *Id.*

199. *Id.* at 1013-1014. Indeed, the district court opinion below had concluded that “[t]he work, for which copyright protection was granted, is the audiovisual display reflecting the author’s creativity,” and that “Midway has sought and obtained protection for the audiovisual aspects of its games that appear on the screen.” *Midway Mfg. Co.*, 547 F. Supp. at 1007-1009.

200. *Id.* at 1014.

201. *Midway Mfg. Co.*, 547 F. Supp. at 1007-09.

202. *Id.* at 1005.

operator using Artic's circuit board, was an infringing derivative work of Midway's Galaxian video game.²⁰³

Faced with the analogous issue in a digital filtering case, how should a court resolve these conflicting precedents? The decision in *Midway* is more persuasive than *Galoob*. The *Galoob* decision relies in large part on the court's unsupported premise that a derivative work must incorporate a copyrighted work in some "concrete or permanent form," when in fact, the statutory language simply refers to incorporation in "any form," and the legislative history specifically states that an altered performance may be an infringement even though nothing is ever fixed in a tangible form. In addition, although not noted in either *Galoob* or *Midway*, substantial authority suggests that transitory fixation in RAM would be a sufficient fixation even if Congress had intended to impose a fixation requirement only for copies or derivative works. This argument provides additional support for the outcome in *Midway*.

Therefore, under the logic of *Midway* and *MAI*, home users prepare unauthorized derivative works whenever they use digital filtering products—whether these involve the use of hardware, software, or a combination of both in conjunction with custom-made "E-Rated" filters—to alter the performance of original motion picture DVDs. Unless the home users' activities qualify as fair use, they are direct infringers.

(iii) *Fair Use by Home Users*

In the event that home users create derivative works using digital filtering products, their use may nonetheless be non-infringing if it is a fair use. In that case, the digital filtering companies would not be contributorily liable, because there would be no direct infringement by the consumer.

The question of whether home users are engaging in fair use turns on the familiar fair use indicia: (1) the purpose and the character of the use, including whether it is for commercial or educational purposes; (2) the nature of the copyrighted work itself; (3) the amount of the copyrighted work that is used and how significant a portion of the work that amount represents; (4) how the use affects the potential market for or value of the copyrighted work, and (5) other equitable factors.²⁰⁴

203. *Id.* at 1013-14.

204. *See supra* Part II. C.

The purpose and character of the consumers' use of digital filtering software is probably not commercial, because home users are buying the original film to view for home viewing, as altered by the filtering software. Even though the digital filtering companies charge their customers for the custom-made software filters, as well as the software filtering application programs (or, in some cases, the hardware components) that run the filters to control the performance of the original DVD, the customers' actual use of the product is private and personal. In this case just as in *Sony*, the seller of the device is making money, but the home users are not. As to the second factor, the creative nature of copyrighted motion pictures places them at the "core of copyright protection," just like the musical works in *Napster* and *MP3.com* and the televised films in *Sony*. As to the amount taken, almost the entire amount and substance of each film is used to create the altered performance that constitutes the infringing derivative work. Finally, as to the effect on the market, although arguably consumers would not have purchased these films if the editing services were unavailable, *MP3.com* suggests that this argument is unavailing, because consumers are usurping the original author's market for derivative works.

In the somewhat analogous situation presented by the *Napster* case, Napster argued that even if Napster users had directly infringed A&M Records' exclusive rights by copying music files, they were protected by fair use.²⁰⁵ The Ninth Circuit court did not agree.²⁰⁶ It found that the purpose and character of the use was commercial, because "repeated and exploitative unauthorized copies of copyrighted works were made to save the expense of purchasing authorized copies," and because file swapping was a form of commercial exchange.²⁰⁷ The Ninth Circuit observed that musical works are close to the core of intended copyright protection,²⁰⁸ and that Napster users engaged in wholesale copying, because the process of file transfer of MP3 files copies the entire work. Under the fourth factor, the Ninth Circuit also noted that the copyright owners cannot be deprived of the right to develop alternative markets for their works simply because the copyright infringer causes no harm to the

205. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1014 (9th Cir. 2001).

206. *Id.* at 1014-1015.

207. *Id.* at 1015.

208. *Id.* at 1016.

owners' established markets.²⁰⁹ Therefore, the court concluded that the file transfer of A&M's musical recordings was not fair use.²¹⁰

In the case of home users of the digital editing technologies, the purpose and character of the use is not commercial, but is transformative. The nature of the copyrighted works are highly creative. Almost the entire film is used, with some alterations for offensive sights and sounds; thus, a significant amount in quantity and substance of the film works is used. Finally, moving to the fourth factor, the ability of home users to create their own derivative versions of the films usurps a market that belongs to the copyright owner. The studios may at some point want to create their own E-rated versions of their motion pictures. At that time they may find that, as in *Acuff-Rose* and *Midway*, the marketplace is saturated with unauthorized versions of their product. In addition, any suggestion that the editing companies actually increase sales of motion pictures to an audience who might otherwise not purchase the films will be an unavailing, as suggested by *MP3.com* and *Napster*.

On balance, then, digital filtering companies—like their digital editing counterparts—will be unable to rely on fair use to avoid liability for copyright infringement. As in *Napster*, the movie editing companies will be unable to rely on lack of harm to the Studios' current markets as justification to encroach on other markets potentially available to the Studios. Thus, arguments that their filtering products actually increase sales of original unedited copies of the films are unlikely to support fair use.

(iv) *Substantial Non-infringing Uses*

Even if digital filtering software contributes to direct infringements by home users the producers of the software may still avoid contributory liability if the software is capable of substantial non-infringing uses.²¹¹ This analysis is illustrated by the *Sony Betamax* case and the *Grokster* file exchange case, a more recent case with facts very similar to those of *Napster*.²¹² In *Metro-Goldwyn-Mayer Studios v. Grokster*, the Ninth Circuit distinguished the facts of the case from those in *Napster*, holding that defendants Grokster and

209. *Id.* at 1017. The court also agreed with the district court's findings that Napster's copying had reduced CD sales to college students and had raised barriers to A&M's entry into the digital music downloading market. *Id.* at 1016.

210. *Id.*

211. See *supra* Part II. D.

212. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 380 F.3d 1154 (9th Cir. 2004), cert. granted 125 S. Ct. 686 (2004).

StreamCast were not contributorily liable.²¹³ Like Napster, Grokster and StreamCast distributed peer-to-peer digital file sharing software, Grokster and Morpheus, respectively, from their websites to enable users to share digital media over the Internet.²¹⁴ However, unlike Napster's services, the actual exchange of digital media files did not in any way utilize services provided by Grokster's servers. Rather, the file indexing and exchange processes were accomplished entirely by peer-to-peer networking connections through the end-users' personal computers.²¹⁵

The Ninth Circuit in *Grokster* determined that some end-users were directly infringing the plaintiffs' copyrights by sharing digital music and movie files.²¹⁶ However, it held that Grokster and StreamCast were not contributorily liable, because the file exchange software, Grokster and Morpheus, had substantial non-infringing uses.²¹⁷ As the district court observed, "[I]t is undisputed that there are substantial non-infringing uses for Defendants' software—e.g., distributing movie trailers, free songs or other non-copyrighted works; using the software in countries where it is legal; or sharing the works of Shakespeare."²¹⁸

In the case of digital filters, however, each filter is custom tailored to each motion picture. The filter has no possible uses other than to map out one particular motion picture and filter objectionable content from it. Therefore, unlike the Betamax videotape recorder, or the Grokster digital file sharing software, digital movie filtering products are not capable of substantial non-infringing uses. Accordingly, if the home users who use custom-made editing filters are direct copyright infringers, then the digital filtering companies themselves are contributory copyright infringers.

c. Intermediate Copying, Reverse Engineering, and Fair Use

In the case of digital filtering companies, the creation of the filtering software constitutes a prima facie case of direct infringement, because the creators of filtering software copy motion pictures as an initial step in creating that software. In response to claims that direct infringement occurs during this initial copying step, digital filtering

213. *Grokster*, 380 F.3d at 1157.

214. *Id.* at 1158.

215. *Id.* at 1159-60.

216. *Id.* at 1160.

217. *Id.* at 1161-62.

218. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 259 F. Supp. 2d 1029, 1035 (C.D. Cal. 2003).

companies may raise a fair use defense premised on the argument that their intermediate copying constitutes legitimate reverse engineering.

“Reverse engineering,” in the copyright context, is the process used to isolate the components of a complete computer integrated circuit chip or software system. In the case of a chip, reverse engineering identifies all the individual component circuits that make up the chip. Similarly, software programs or applications can be reverse engineered to yield the individual software coding statements.²¹⁹ In *Sega Enterprises Ltd. v. Accolade, Inc.*,²²⁰ the Ninth Circuit held that intermediate copying of computer object code may infringe the copyright owner’s exclusive rights, whether or not the end product also infringes.²²¹ However, the court concluded that “where disassembly is the only way to gain access to the ideas and functional elements embodied in a copyrighted computer program and where there is a legitimate reason for seeking such access, disassembly is a fair use of the copyrighted work, as a matter of law.”²²² Accordingly, *Sega* held that an intermediate copy is non-infringing if it is a necessary step in the process of determining the ideas and functional concepts embedded in the software code, because these elements are not protected by copyright.²²³

The case of the filtering companies is distinguishable from *Sega*, however, because their final product is a filtering device specially designed to produce an infringing altered performance of the original motion picture. Any reverse engineering process used by the digital filtering companies to facilitate the creation of their filters—perhaps by revealing the closed-caption timing information, or other digital frame-identifying information embedded in the DVD—would reveal such timing code information for the purpose of copying, altering, and distributing the creative aspects of the Studios’ motion pictures. Identifying individual frames of a motion picture on DVD using digital frame-identifying information encoded in the DVD is analogous to identifying individual frames of the motion picture on 35mm film using the human eye to detect the beginning and ending of each frame on film. In both cases, identifying particular frames allows the copier to distinguish one frame from another. The digital filtering

219. *Id.*

220. *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1992).

221. *Id.* at 1519.

222. *Id.* at 1527-28.

223. *See supra* Part II. E.

companies reveal the functional concepts—the timing code—in order to alter the creative aspects of the film at a precise point denoted by the timing code, and thereby create an unauthorized derivative work. Thus, any intermediate copy made by the digital filtering companies would be an infringing copy, and not part of a permissible reverse engineering process protected by fair use.

B. Trademark Issues

1. Federal Unfair Competition under the Lanham Act—Section 43(a)

Because third-party digital editing services and filtering technologies provide altered versions of motion pictures to home viewers,²²⁴ it may be argued that the consumer will be led to believe—erroneously—that the altered film originates from, or has in some manner been approved by, the motion picture director or studio that created the original film, or by the producer, actors, or other creative participants. This constitutes a false designation of origin for several reasons. First, consumers purchasing edited versions of VHS tapes and DVDs—or viewing filtered versions of those works—cannot distinguish those aspects of the resulting film that originated from the producer, director, or studio, from those aspects that were altered by the third-party editors. Second, in the case of the filtering products as well as editing services, the opening and closing credits identifying the producers, directors, and studios are retained in the altered versions, thereby suggesting that the entire film, including the portions altered by the third-party editors, originated with the producers, directors, and studios. And finally, in the case of digital editing services, the digital editing companies return the altered VHS and DVD versions of the motion pictures in the original packaging,²²⁵ or along with the original packaging,²²⁶ further suggesting the sponsorship, approval, or affiliation of the original filmmakers. Any of these activities may constitute a false designation of origin under section 43(a) of the Lanham Act.²²⁷

Although perhaps not as radical as the alterations encountered in *Gilliam v. American Broadcasting Cos., Inc.*,²²⁸ where the plaintiffs' film was shortened and interspliced with commercials, or *King v.*

224. See *supra* Part I.

225. Merrill, *supra* note 48 and accompanying text.

226. *Id.*

227. 15 U.S.C. § 1125(a) (2002).

228. 538 F.2d 14 (2d Cir. 1976).

Innovation Books,²²⁹ where a writer was falsely represented as having exercised creative control over a film that had been loosely adapted from his short story without any input from him, the alterations made by the third-party editing companies are nonetheless substantial. Any content deemed to be offensive because of nudity, sexual situations, offensive language, or graphic violence is removed from each motion picture. In addition to altering the creators' artistic vision, the editing may be of poor quality. Such altered films are mutilated versions of the original, and the names of the producers, directors, and studios remain attached to the films through the original packaging and screen credits of the film, as well as by reputation, publicity, and marketing.

A likelihood of confusion between the altered versions and the original motion pictures exists, because, as in *Gilliam*, purchasers will not have the originals for side by side comparison—precisely because they do not want to see the original motion picture. It is true that original purchasers may know that “offensive” content has been edited out in altered versions, but they will not necessarily know precisely what content has been removed or altered. Furthermore, viewers other than the original purchasers of the altered versions might see the altered versions and not even realize that the versions are not the original motion picture. As in *Gilliam*, home viewers will see the altered product bearing the original source indicators, and could be led to believe that the altered version is the work of the studios and directors rather than the third-party editing companies.

In the case of digital filtering technologies, the third-party companies do not actually distribute altered versions of the original DVDs to consumers. Rather, consumers use the filtering technologies to create altered versions of motion picture performances.²³⁰ However, the same question arises in this situation as in the case of digital editing described above—whether the home user believes that the altered performance originates from, or is approved by the director or studio. First, home users cannot tell what aspects of the altered version of the performance are attributable to the producers, directors and studios, and what aspects are altered by the filtering products. Second, the original credits identifying the producers, directors, and studios as the originators of the film remain intact. Finally, when digital filtering products are used, the original DVD packaging remains unaltered, which can reinforce the home users'

229. 976 F.2d 824 (2d Cir. 1992).

230. See *supra* Part IV. B.

impression that the altered work originates from, or is endorsed by, the producers, directors, studios, and other creative participants named on the package.

Regarding the substantiality of the alterations, digital filtering products are designed to edit the very same content that the digital editing services edit—content deemed to be offensive due to offensive language, nudity, sexual situations, or graphic violence. Furthermore, both digital editing services and filtering products are designed to provide the same result—altered versions of original motion pictures. Clean Cut, CleanFlicks, Edit My Movies/Edited Moves, Family Flix, and Video II provide unauthorized altered versions of motion pictures on VHS and DVD. ClearPlay and Family Shield Technologies provide unauthorized altered versions of motion picture performances. As in the case of digital editing, the filtering effects not only alter the artistic vision of the creators, but may also be of poor quality. Thus, the alterations of original motion picture performances resulting from filtering technology products are just as substantial as the alterations of original motion picture DVDs resulting from digital editing services.²³¹

The Supreme Court's recent decision in *Dastar Corporation v. Twentieth Century Fox Film Corporation*²³² has complicated the section 43(a) analysis. In *Dastar*, the Court held that "origin of goods" in section 43(a)(1)(A) "refers to the producer of the tangible goods that are offered for sale, and not to the author of any idea, concept, or communication embodied in those goods."²³³ The work at issue in *Dastar* was a television series originally distributed on beta cam tapes that had passed into the public domain because Fox had not renewed its copyright in the television rights.²³⁴ *Dastar* had bought a set of the original tapes, made copies, and edited the original series, now in the public domain, to create its own series.²³⁵ The Court held that *Dastar* had not violated section 43(a) of the Lanham Act, because it was the originator of the newly edited series that it had accurately represented as its own.²³⁶

231. *Id.*

232. 539 U.S. 23 (2003).

233. *Id.* at 37.

234. *Id.* at 26.

235. *Id.* at 26-27. *Dastar* had edited the original content by removing approximately half of the original, including all references to General Eisenhower's book, "Crusades in Europe," on which the original series had been based, and by adding new material, including, among other things, new credits, and new opening, closing and chapter-title sequences.

236. *Id.* at 38.

The scope of the Supreme Court's holding in *Dastar* is unclear. If limited to the facts of that case,²³⁷ it would apply only to works in the public domain. In that event, the holdings in *Gilliam* and *Innovation Books* would continue to apply in cases where works are protected by copyright, but not to works in the public domain. However, although the work at issue in *Dastar* was in the public domain, the broad language of the holding can be read to apply to all works of authorship, those protected by copyright as well as those in the public domain.²³⁸ Thus, construing the *Dastar* holding broadly, the only party that could be recognized as the "origin" of a particular copy of a copyrighted (or public domain) work would be the party that created that physical copy. Therefore, a digital editing company might be liable to the Studio that created a film when the editing company distributes an altered copy of the work under the Studio's name, because the Studio did not create or authorize that particular copy. The case for a section 43(a) claim against digital filtering companies might be more difficult, however, since the plaintiffs would have to establish that home users would be likely to attribute the filtering effects of the software to the original creators of the film, even though the software and the film are in different packages. The directors or other creative participants named in the film credits might also be able to raise claims under section 43(a), since they, too, played no role in the making of the unauthorized edited copy. In contrast, if *Dastar's* narrow definition of the "origin" of goods applies only to copies of public domain works, then the editing service that distributes an altered version of a copyrighted film might not be violating section 43(a) by attributing the altered film to its original creators, even though that attribution is false and misleading. This interpretation, however, seems inconsistent with the consumer protection goals of section 43(a).

Dastar might also be inapplicable to digital editing and filtering for another reason. *Dastar* involved a claim of reverse passing off (putting the defendant's brand name on the plaintiff's product), rather than traditional passing off (putting the plaintiff's brand name on the defendant's product). It is therefore not entirely clear whether the Supreme Court intended its narrow construction of "goods" under section 43(a) to apply equally to traditional passing off claims, such as those at issue in *Gilliam*, *Innovations*, and the digital editing

237. See *id.* at 25-27, 31, 34-38.

238. See *id.* at 38.

and filtering cases. If *Dastar* is limited to cases of reverse passing off, then it will have no effect on the digital editing and filtering cases.

Thus, the Supreme Court's ruling in *Dastar* has complicated the section 43(a) analysis of digital editing and filtering services, yet it is not entirely clear whether *Dastar* even applies to these traditional passing-off claims, or whether the films in question are exempt from the *Dastar* analysis because they are copyrighted rather than in the public domain.

Even if *Dastar* does limit the availability of a section 43(a) claim in the case of digital editing and filtering, the plaintiffs might still have recourse under the state law counterparts of section 43(a). The content of these statutes is typically similar to that of section 43(a), but courts interpreting these statutes are not bound to interpret them the same way that *Dastar* interpreted section 43(a). No doubt, however, many of them will do exactly that.²³⁹

2. *Federal Trademark Dilution under the Lanham Act—Section 43(c)*

The studios, directors, producers, and possibly even some of the actors and other creative participants in a film may also have a dilution claim against editing and filtering companies. Dilution exists whenever the capacity of a famous mark to identify and distinguish goods or services is lessened, regardless of whether or not there is competition between the owner of the mark and anyone else, or likelihood of confusion, mistake, or deception.²⁴⁰

The owner of a famous trademark is entitled to enjoin the commercial use of that mark by another if the use occurs after the mark is already famous and results in the dilution of the famous mark.²⁴¹

In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to –

- the degree of inherent or acquired distinctiveness of the mark;
- the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
- the duration and extent of advertising and publicity of the mark;
- the geographical extent of the trading area in which the mark is used;

239. *Twentieth Century Fox Film Corp. v. Dastar Corp.*, 2003 WL 22669587 (C.D. Cal. 2003).

240. 15 U.S.C. § 1127 (2002).

241. 15 U.S.C. § 1125(c)(1) (2002).

the channels of trade for the goods or services with which the mark is used;
the degree of recognition of the mark in the trading areas and channels of trade used by the mark's owner and the person against whom the injunction is sought;
the nature and extent of use of the same or similar marks by third parties; and
whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.²⁴²

The names of the studios are arguably famous marks. The names of many of the directors are arguably famous marks as well, e.g., Martin Scorsese, Steven Spielberg, Robert Redford, and Sydney Pollack. The same could be true of some producers, actors, or other creative participants such as cinematographers. The third-party editing companies create and distribute—or facilitate the creation of—unauthorized altered versions of motion pictures bearing these famous marks. By altering motion pictures created, developed, and distributed by the studios, digital editing and filtering technologies arguably diminish the capacity of the studios' famous marks to uniquely distinguish and identify their motion pictures. By altering the famous directors' original vision and artistic choices, it is likely that third-party digital editing services and filtering products limit the ability of their famous marks—their names—to distinguish and identify their unique directorial styles and artistry.

Unfortunately, the uncertain scope of the *Dastar* holding could have an impact on the section 43(c) analysis as well, since section 43(c) applies only to the unauthorized use of another's trademark on "goods or services" which that party did not produce. In addition, the studios' and directors' prospects for success under section 43(c) will be impaired by the Supreme Court's holding in *Moseley* that a federal dilution claim requires proof of actual dilution rather than mere likelihood of dilution.²⁴³

3. Trademark Dilution under State Law

The FTDA amendment to the Lanham Act did not pre-empt state dilution statutes.²⁴⁴ For the states with dilution statutes similar to

242. *Id.*

243. *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 432 (2003).

244. *Id.* at 4 ("It is important to note that H.R. 1295 would not pre-empt existing state dilution statutes. State laws could continue to be applied in cases involving locally famous or distinctive marks. Unlike patent and copyright laws, federal trademark law presently coexists with state trademark law, and it is to be expected that a federal dilution statute

the federal dilution statute, the analysis would be similar to that which applies to section 43(c); however, a dilution claim might still fare better under state law because the courts would not be bound to apply *Dastar* or *Moseley* analysis to these statutes. In those states where a mark need not be famous in order to receive protection from dilution, however, the case for dilution by editing and filtering services is even stronger. In those states, dilution may be found where the mark is merely distinctive; it need not be famous.²⁴⁵ And because the state statutes apply locally, even in those states which require a mark to be famous, if a court determined that the marks in question are not nationally famous, they might nonetheless be found to be locally famous, depending on the state. Furthermore, where states impose a requirement that the mark be famous, the standard for measuring fame may be easier to satisfy under state law than under federal law. Finally, those states which have dilution statutes not modeled after the FTDA,²⁴⁶ and even some that follow the FTDA model, will not necessarily follow the Supreme Court's decision in *Moseley*, which held that a dilution claim under the FTDA requires a showing that dilution has already occurred. In states that do not follow *Moseley*, a mere likelihood of dilution may be sufficient grounds for relief.

C. Family Movie Act (FMA) 2005

The Family Movie Act, which is currently being considered by Congress, would create a broad privilege permitting the use of filtering technology to produce altered versions of copyrighted films without the consent of the copyright holders. Although the FMA would not allow fixation or distribution of the censored films,²⁴⁷ it would allow companies to produce and distribute filtering software that would enable the consumer to create unfixed derivative works.²⁴⁸ The Act would also appear to allow intermediate copying of the movie by the filtering companies to the extent such copying is necessary to create the filtering software for each film.²⁴⁹

should similarly coexist with state dilution law.").

245. *Ga. Code Ann.*, § 10-1-451(b) (2004); *see, e.g.*, *Original Appalachian Artworks, Inc. v. Tops Chewing Gum, Inc.* 642 F. Supp. 1031 (N.D. Ga. 1986).

246. *See, e.g.*, *New Sensor Corp. v. CE Distribution LLC*, 2004 WL 231237 (E.D.N.Y. 2004); *Brennan's, Inc. v. Brennan's Restaurant, LLC.*, 2003 WL 1338681 (S.D.N.Y. 2003).

247. *See Family Movie Act of 2005*, S. 167, 109th Cong., 1st Sess. (2004) *available at* <http://thomas.loc.gov> (last visited Feb. 26, 2005) (on file with author).

248. *Id.*

249. *Id.* The wording of the statute is ambiguous as to whether fixation is permitted, but intermediate fixation appears to be essential to the creation of the filtering software.

The Family Movie Act of 2005 provides that the following language would be added to current copyright law:

(a) In General- Section 110 of title 17, United States Code, is amended--

(1) in paragraph (9), by striking 'and' after the semicolon at the end;

(2) in paragraph (10), by striking the period at the end and inserting '; and';

(3) by inserting after paragraph (10) the following:

'(11) the making imperceptible, by or at the direction of a member of a private household, of limited portions of audio or video content of a motion picture, during a performance in or transmitted to that household for private home viewing, from an authorized copy of the motion picture, or the creation or provision of a computer program or other technology that enables such making imperceptible and that is designed and marketed to be used, at the direction of a member of a private household, for such making imperceptible, if no fixed copy of the altered version of the motion picture is created by such computer program or other technology.'; and

(4) by adding at the end the following:

'For purposes of paragraph (11), the term 'making imperceptible' does not include the addition of audio or video content that is performed or displayed over or in place of existing content in a motion picture.

'Nothing in paragraph (11) shall be construed to imply further rights under section 106 of this title, or to have any effect on defenses or limitations on rights granted under any other section of this title or under any other paragraph of this section.'

(b) Exemption From Trademark Infringement- Section 32 of the Trademark Act of 1946 (15 U.S.C. 1114) is amended by adding at the end the following:

'(3)(A) Any person who engages in the conduct described in paragraph (11) of section 110 of title 17, United States Code, and who complies with the requirements set forth in that paragraph is not liable on account of such conduct for a violation of any right under this Act. This subparagraph does not preclude liability, nor shall it be construed to restrict the defenses or limitations on rights granted under this Act, of a person for conduct not described in paragraph (11) of section 110 of title 17, United States Code, even if that person also engages in conduct described in paragraph (11) of section 110 of such title.

'(B) A manufacturer, licensee, or licensor of technology that enables the making of limited portions of audio or video content of a motion picture imperceptible as described in subparagraph (A) is not liable on account of such manufacture or license for a violation of any right under this Act, if such manufacturer, licensee, or licensor ensures that the technology

provides a clear and conspicuous notice at the beginning of each performance that the performance of the motion picture is altered from the performance intended by the director or copyright holder of the motion picture. The limitations on liability in subparagraph (A) and this subparagraph shall not apply to a manufacturer, licensee, or licensor of technology that fails to comply with this paragraph.

‘(C) The requirement under subparagraph (B) to provide notice shall apply only with respect to technology manufactured after the end of the 180-day period beginning on the date of the enactment of the Family Movie Act of 2005.

‘(D) Any failure by a manufacturer, licensee, or licensor of technology to qualify for the exemption under subparagraphs (A) and (B) shall not be construed to create an inference that any such party that engages in conduct described in paragraph (11) of section 110 of title 17, United States Code, is liable for trademark infringement by reason of such conduct.’.

(c) Definition—In this section, the term ‘Trademark Act of 1946’ means the Act entitled ‘An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes’, approved July 5, 1946 (15 U.S.C. 1051 et seq.).²⁵⁰

The proponents of the bill believe that parents should be able to shield their children from objectionable material.²⁵¹ Rep. Lamar Smith (R-Texas) told a House Judiciary subcommittee hearing that the purpose of the proposed legislation is “to protect the right of parents to shield their children from violence, sex, and profanity,” adding that “[t]he issue isn’t whether a movie loses some of its authenticity due to skipping of various audio and video, but whether parents have the right to shield their children from offensive content.”²⁵² Rep. Zoe Lofgren (D-Calif.) argued that because the filters do no more than skip and mute the DVD player in ways that the consumer would do, there is no infringement.²⁵³ However, consumers who are using filtering software do not do the muting and skipping themselves. The filtering companies are actually doing the muting and skipping, and

250. Family Movie Act of 2005, S. 167, 109th Cong. (2004) available at <http://thomas.loc.gov> (last visited Feb. 26, 2005) (on file with author).

251. Anandashankar Mazumdar, *House Judiciary Committee Reports “Family Movie Act to Floor,”* PAT., TRADEMARK & COPYRIGHT J. Vol. 68, No. 1680 at 350 (July 23, 2004).

252. MontereyHerald.Com, *Business, Technology, Lawmaker vows to protect tech that lets parents filter DVDs*, May 20, 2004, available at <http://www.montereyherald.com/mld/montereyherald/business/technology/8716053.htm> (last visited Aug. 29, 2004) (on file with author).

253. Anandashankar Mazumdar, *IP Subcommittee Forwards Family Movie Bill to Full House Judiciary Committee*, PAT., TRADEMARK & COPYRIGHT J., Vol. 68, No. 1679 at 308 (July 16, 2004).

they, rather than the consumers, determine what the viewing experience will be. Even when the filtering company offers a range of editing choices for a particular film, the consumer's involvement is limited to selecting among the versions chosen for them by the filtering company.

The original bill, passed in 2004 by the House, differed significantly from S. 167. The House bill was broader than the Senate bill, permitting "the making of limited portions of audio or video content of a motion picture imperceptible by or for the owner . . ."²⁵⁴ This language allowed for more than just skips and mutes to make portions of the content "imperceptible." It conceivably could have allowed for superimposed images or sounds to block the offensive portions.

However, S. 167 narrows the scope of the original bill, by defining the term "making imperceptible" to exclude "the addition of audio or video content that is performed or displayed over or in place of existing content in a motion picture."²⁵⁵ This is a significant narrowing of the legislation.

Rep. Maxine Waters (D-Calif.) characterized the original bill as a "step towards government censorship."²⁵⁶ She suggested that a less drastic means to help parents shield objectionable material from children is to let the copyright holders prepare the versions themselves, the same way they do for television broadcasts and airline versions.²⁵⁷ These comments seem equally applicable to S. 167. Rep. Howard L. Berman (D-Calif.) had argued that the original bill would not offer consumer protection or bolster parental rights, but would relieve one particular technology from paying royalties to copyright owners.²⁵⁸ This is equally true of S. 167. Rep. Berman had also warned that the original bill would allow individuals to make any changes they wished, not just those that are considered harmful to children.²⁵⁹ Although S. 167 narrows the scope of permissible changes, Rep. Berman's criticism is still valid.

The proposed legislation is bad policy. The exclusive right to create a derivative work is a longstanding and fundamental right of

254. Family Movie Act of 2004, H.R. 4586, 108th Cong. (2004), *available at* <http://thomas.loc.gov> (last visited Aug. 29, 2004) (on file with author).

255. Family Movie Act of 2005, S. 167, 109th Cong. (2004) *available at* <http://thomas.loc.gov> (last visited Feb. 26, 2005) (on file with author).

256. Mazumdar, *supra* note 253, at 308.

257. *Id.*

258. Mazumdar, *supra* note 251, at 350.

259. Mazumdar, *supra* note 253, at 308.

the copyright owner.²⁶⁰ The proponents of the use of filters have not demonstrated that such filters are necessary. Unlike internet pornography or offensive television programming, both of which can enter consumers' homes easily unless the consumer is able to implement controls, an objectionable DVD will not normally be in someone's home unless they have made an affirmative effort to obtain a copy. Parents need not buy or rent DVDs that they find objectionable; they can thereby ensure that their children do not watch them.

The FMA, if enacted, could also cause the United States to be in violation of at least three international treaties to which it is a signatory. Article 12 of the Berne Convention provides that "[a]uthors of literary or artistic works shall enjoy the exclusive right of authorizing adaptations, arrangements and other alterations of their works."²⁶¹ Article 2(1) and Article 14bis of Berne make clear that this right applies to motion pictures.²⁶² The WIPO Copyright Treaty incorporates Berne,²⁶³ as does the agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods (TRIPS), which is part of the World Trade Organization (WTO) Agreement, also known as the Uruguay Round of the General Agreement on Tariffs and Trade (GATT).²⁶⁴ The WTO has the power to impose trade sanctions on the United States if it does not comply with the terms of the agreement.²⁶⁵ It would be especially unwise to enact the FMA if its protections are not really necessary and would violate international law.

Conclusion

Responding to consumer demand for "E-Rated" versions of major Hollywood films, the small but growing third-party editing and filtering industry has engaged in, and/or facilitated, unauthorized

260. The exclusive right to create derivative works was added to federal copyright law in 1870. Copyright Act of 1870. 16 Stat. 198 (1870).

261. Berne Convention for the Protection of Literary and Artistic Works, July 24, 1971, 1986 Lexis 160 (June 20, 1986), art. 12.

262. *Id.* at arts. 2(1) & 14bis.

263. WIPO Copyright Treaty, April 12, 1997, art. 1(4), S. Treaty Doc. No. 105-17, 36 I.L.M. 65.

264. Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods (TRIPS), Art. 9, ann. 1A, 33 I.L.M. 1154 (1994).

265. See Mary LaFrance, *Congress TRIPS over International Law: WTO Finds Unfairness in Music Licensing Act*, 11 DEPAUL – LCA J. ART & ENT. L. 397 (2002) (discussing imposition of sanctions against United States for failing to adequately protect public performance rights in copyrighted music).

copying, preparation of derivative works, and distribution of the studios' copyrighted motion pictures, thereby infringing on the exclusive rights of the studios under the Copyright Act of 1976.²⁶⁶

Moreover, the conduct of the companies and the digital editing and filtering technologies that they use to create altered versions of the studios motion pictures may also involve a false designation of origin and/or dilution of the distinctive quality of the famous marks of the studios and directors in violation of sections 43(a) and 43(c) under the Lanham Act,²⁶⁷ and comparable state laws.

The resolution of the issues raised by digital editing and digital filtering is important, because the rights of creators and copyright owners to prevent unauthorized and substantial alterations of their works have generally been understood to warrant protection under copyright law and, in many cases, unfair competition law. If the radical changes created by the purveyors of unauthorized "E-Rated" adaptations of copyrighted works are permitted under a "fair use" rationale or narrowed interpretations of the Lanham Act, the same logic may lead to permitting other significant alterations of copyrighted works, and the exclusive right to create derivative works under section 106(2) of the Copyright Act, as well as the right to prevent false attribution of unauthorized adaptations, will offer little, if any, protection to the creators and owners of expressive works.

Companies can seek permission to license "E-Rated" edited versions of the movies on DVD, just as TV broadcasters and airlines do now. TV broadcasters obtain permission to edit content for broadcast. Nothing is sacred: even "Sex and the City," originally broadcast on HBO,²⁶⁸ is edited for content in its current reincarnation on TBS.²⁶⁹ There is no reason why the filtering companies should not follow the same process—seek permission to edit for content.²⁷⁰ As Jack Valenti of the Motion Picture Association of America argued at

266. 17 U.S.C. § 101 et seq. (2002).

267. 15 U.S.C. §§ 1125 & 1127 (2002).

268. Home Box Office

269. Turner Broadcasting System. Rebecca Quick, 'Sex and the City' going mainstream, MSNBC Home, CNBC TV, <http://msnbc.msn.com/id/4354469/> (last visited on Sept. 1, 2004) (on file with author).

270. See Anandashankar Mazumdar, *Peters Says Legislation Not Needed To Protect Scene-Skipping Technology*, PAT., TRADEMARK & COPYRIGHT J., Vol. 68, No. 1677, 194, 195 (June 25, 2004). RCA DVD players now ship with ClearPlay programming for 100 DVD movies built-in. Greg Tarr, *Twice, Wal-Mart, Kmart to Sell Parent-Friendly DVD Players*, at <http://www.twice.com/article/CA409079.html> (last visited Aug. 22, 2004) (on file with author).

the June 17 hearing of the House of Representatives Subcommittee on Courts, the Internet, and Intellectual Property, let the marketplace determine who receives film versions for performances.²⁷¹

271. Mazumdar, *supra* note 270, at 195.

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